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POLICY RESEARCH WORKING PAPER 1571

Export Prospects of Middle Eastern Countries

A Post-Uruguay Round Analysis

Alexander Yeats

Middle Eastern countries' exports should increase by about $800 to $900 million as a result of the Uruguay Round tariff cuts. This represents an annual expansion of less than 1 percent. The projected overall gains are small because of the erosion of tariff preferences that these countries receive in OECD markets. The Uruguay Round made major progress in removing nontariff measures facing Middle Eastern exporters — especially in agriculture, textiles, and clothing. As a result, the average OECD nontariff barrier coverage ratio for Middle Eastern exports should fall from 10 percent to between 1 and 2 percent.

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Summary findings

Exports in the Middle Eastern countries should increase from $800 million to $900 million as a result of the tariff cuts agreed on in the Uruguay Round, according to Yeats. This represents an annual expansion of less than 1 percent.

Projected gains are small because the erosion of tariff preferences that Middle Eastern countries received in OECD markets offset the positive effects of reduced most-favored-nation tariffs on nonpreference-receiving products. And petroleum, the main Middle Eastern export — which generally faces zero or low tariffs — is unaffected by the Uruguay Round reductions.

Egypt's projected gains (about $20 million, or under 0.5 percent of total exports) are concentrated largely in agricultural exports to the European Union and manufactures in the United States.

Israel should experience net trade losses because of the erosion of its free trade area preferences in the European Union and the United States.

The Uruguay Round made major progress in removing nontariff barriers that Middle Eastern exports face, especially in agriculture, textiles, and clothing. But with the removal of the Multifibre Arrangement, international trade in textiles and clothing will become much more competitive. Middle Eastern countries must adopt measures to cut costs and increase efficiency to remain viable exporters.

As a result of what was achieved in the Uruguay Round, the average OECD nontariff barrier coverage ratio for Middle Eastern exports should fall from a current 10 percent to between 1 and 2 percent.

Net food importing countries could be adversely affected by the higher international food prices expected to result from the Uruguay Round agreement. There is a clear priority for net food importers to adopt reforms stimulating domestic production.

Prospects for increased trade in the Middle East are constrained by the similar comparative advantages and export profiles of many Middle Eastern countries. The most favorable prospects for intraregional trade appear to be between countries such as Cyprus, Israel, Lebanon, and Turkey — net energy importers — and the rest of the region.

This paper — a product of International Trade Division, International Economics Department — is part of a larger effort in the department to identify factors affecting the exports of developing countries and to anticipate changes that may occur. Copies of the paper are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Sarah Lipscomb, room N5-056, telephone 202-473-3718, fax 202-522-1159, Internet address slipscomb@worldbank.org. February 1996. (43 pages)

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EXPORT PROSPECTS OF MIDDLE EASTERN COUNTRIES

A Post-Uruguay Round Analysis

Alexander J. Yeats

Principal Economist, International Trade Division
The World Bank, Washington D.C., 20433

Summary

Overall, middle-Eastern countries' exports should increase by approximately $800 to $900 million as a result of the Uruguay Round tariff cuts. This represents an annual expansion of less than one percent. The projected overall gains are small due to the erosion of tariff preferences middle-Eastern countries receive in OECD markets which offset the positive effects of reduced MFN tariffs on non-preference receiving products. Also, the major middle-East export product (petroleum) generally faces zero or very low tariffs so this item's trade could not be affected by the Uruguay Round reductions. Egypt's projected gains (about $20 million -- which is under one half a percent of total exports) are largely concentrated in agricultural exports to the EU and manufactures in the United States. Due to the erosion of its FTA preferences in the EU and US Israel should experience net trade losses from the Round.

The Uruguay Round made major progress in removing nontariff measures facing middle-Eastern exporters -- especially in agriculture, textiles and clothing. As a result of what was achieved, the average OECD NTB coverage ratio for middle-East exports should fall from its current 10 percent level to between 1 to 2 percent. The decline in the coverage ratio for Egypt is dramatic. Prior to the Round, 32 percent of Egypt's exports to the OECD faced NTBs -- this share should fall to about 2 percent after the MFA and agricultural restrictions are removed.

Although the liberalization of NTBs clearly is a positive development from the viewpoint of all developing countries, some may experience negative effects. With the removal of the MFA, international trade in textiles and clothing will be subject to increasing international competition. Middle Eastern countries will need to adopt major cost cutting and efficiency increasing measures to remain viable exporters. Similarly, net food importing countries could be adversely affected by higher international food prices which are expected to result from the Uruguay Round agreement. While there is considerable uncertainty about how high an increase in prices should result there is a clear priority for net food importing countries to adopt reforms aimed at stimulating domestic production. A key element in these reforms is the adoption of incentives to increase domestic food production.

This report also examines the prospects for increased intra-regional trade. Two important constraints to this exchange are the similarities in revealed comparative advantage and export profiles of many middle-East countries, as well as the high levels of tariff and nontariff measure protection that exist in some markets. The most favorable prospects for increased intra-regional trade appear to be between countries like Cyprus, Israel, Lebanon and Turkey, which are net energy importers, and the rest of the region.

EXPORT PROSPECTS OF MIDDLE EASTERN COUNTRIES

A Post Uruguay Round Analysis

I. Introduction: The Importance of the Uruguay Round

Major changes have recently occurred in external markets that can have important implications for the export prospects of the middle-Eastern (ME) countries.[1] The North American Free Trade Agreement (NAFTA) liberalized barriers to the intra-trade of Canada, Mexico and the United States while further integration efforts continue in Europe. The Uruguay Round agreement will also have a major impact on international trading conditions. Among the Round's achievements are an average 40 percent reduction in industrial countries' most-favored-nation (MFN) tariffs, agreement on a phase-out of the Multifiber Arrangements restrictions, nontariff barriers on agricultural products were converted to tariffs and then lowered, "voluntary" export restraints (VERs) were abolished, and progress was made toward the liberalization of barriers to trade in services.

While many of these developments have positive implications for ME countries' there could be some negative aspects. Regional integration initiatives like NAFTA or the European Union (EU) provide member countries preferential access to each others markets which may allow them to displace nonmembers' exports. This raises the question of whether a significant amount of ME exports may be diverted and in which product sectors could this occur? Similarly, the Uruguay Round's reduction of MFN tariffs may have negative implications since these cuts will lower (or eliminate) the preference margins some ME countries receive under Generalized System of Preference (GSP) programs or European Union (EU) regional schemes.[2] The phase-out of the Multifiber Arrangement, tariffication of agricultural NTBs, and the liberalization of services trade seemingly has positive implications for the middle-East if these countries can compete with producers in other regions. To help illustrate the implications of such developments, the report provides a series of "boxes" which discuss their potential effects on a specific middle-East country (Egypt).

Recognizing that improved export opportunities can make a positive contribution to economic growth in the region, and also help reinforce the peace process, this report attempts

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[1]In this study countries included in the definition of the middle-East region include: Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, Turkey and the United Arab Emirates. Iraq is, however, excluded from much of the current analysis due to the United Nations embargo and its effects on this country's trade. There is, however, no general agreement as to which countries should be included or excluded in the region. See Fisher (1993) for a review and analysis of some of the alternative country definitions that have been employed.

[2]Under its free trade area arrangements with the United States, the European Union, and European Free Trade Association (EFTA), Israel had virtually duty free access to these markets. The Uruguay Round's average 40 percent reduction in MFN tariffs will erode Israel's FTA preferences and may result in significant trade diversion. Yeats (1994) estimates that between 5 to 8 percent of Israel's textile and clothing exports to the United States may be displaced due to preference erosion.

to quantify the effects of the Uruguay Round on ME countries' exports, and also to determine how their trade might be affected by regional arrangements in Europe and North America. The magnitude and composition of intra-trade within the middle East region is analyzed, and an attempt is made to generate information relating to future prospects. To provide an introduction, trends in the level, composition and direction of ME exports are analyzed. Measures such as the "revealed" comparative advantage, trade intensity, and export similarity indices are employed to help assess ME export opportunities (and constraints) both within and outside the region.

II. Trends in the Level and Composition of Regional Exports

Any assessment of the importance of external developments would be facilitated by identifying the current major markets for Middle East exports since this is where the analysis should initially focus. Table 1 provides relevant information by showing the direction (value) and share of ME exports to different destinations, i.e., all OECD countries, OECD countries in Europe, North America and several other regional country groups (Box 1 provides more detailed information on the direction of Egypt's exports). These figures clearly show the current importance of OECD markets for all Middle East exports, yet, three different trade patterns exist. First, countries like Cyprus, Iran, Libya, Syria and Turkey are primarily dependent on OECD European markets and they may be negatively affected by integration efforts like the extension of the EU. On the other hand, Oman, Qatar, Saudi Arabia and the UAE have a larger share of exports destined for North America and Japan so these countries seemingly would be more concerned with the effects of NAFTA on their trade. Third, several ME countries rely on non-OECD markets. Over 60 percent of Bahrain, Jordan, Lebanon, and Oman's exports go to developing countries, most of which are in the region or in Asia.[3]

Table 1 compares the direction of ME countries' exports with that for all developing countries combined (see the memo item). Overall, little difference is observed between the two groups' trade shares (64 percent of ME exports go to OECD markets as opposed to 63 percent for all developing countries combined). The Middle East does, however, have a greater dependance on OECD Europe and Japan (49.7 versus 31.5 percent) while the share of exports going to OECD North America is 16 points below average. For the region as a whole these data accent the potential importance of changes in European market access conditions.

Table 2 provides information on the product composition of each Middle East country's exports as well as that for the region as a whole. Mineral fuels are by far the largest product group accounting for approximately 68 percent of all regional exports. This is more than two and one half times higher than energy products' share for in the exports of all developing countries combined (see the memo item). The value of fuel exports ($82.3 billion) is about $53

[3]About 60 percent of Oman's 1991 exports went to three regional markets, namely, Iran, Saudi Arabia and the UAE. One-fifth of Jordan's exports went to India, while China accounted for an additional 5 percent. Bahrain's official trade statistics did not specify the destination of roughly 40 percent of its total exports, but these shipments do not appear to have gone to OECD countries. Official trade data for Lebanon are not available and UNCTAD estimates (upon which Table 1 is based) do not specify individual markets for Lebanon's exports.

Table 1. The Geographic Destination of Middle East Countries' Exports

			of which:					of which:		
Exporting Country (Year)	World ($ million)	OECD Markets	Europe	North America	Japan	Others	Other Countries	Europe	Asia	Americas
		(percent of total exports)								
Bahrain (91)	3,578.0	16.4	2.4	2.5	11.2	0.3	83.6	3.2	81.0	1.9
Cyprus (91)	975.2	67.1	63.3	1.6	0.4	1.8	32.9	--	18.3	2.8
Egypt (90)	2,582.0	58.1	41.2	8.1	3.1	5.7	41.9	14.7	17.8	0.3
Iran, Islamic Rep. of (91)	15,762.3	68.1	50.0	1.9	16.1	0.1	31.9	3.4	16.9	6.5
Israel (91)	11,890.8	78.7	39.8	31.0	6.1	1.8	21.3	0.9	9.8	2.4
Jordan (91)	878.9	5.5	3.1	0.4	1.8	0.2	94.5	3.8	67.8	0.4
Kuwait (90)	8,148.6	51.1	24.0	7.0	19.1	1.0	42.9	0.5	33.3	2.0
Lebanon (86)	517.0	31.6	22.9	8.3	0.2	0.2	68.4	4.6	60.3	1.0
Libyan Arab Jamahiriya (87)	8,502.7	84.5	84.5	--	--	--	16.3	4.5	10.1	2.2
Oman (89)	3,932.9	39.8	2.0	2.8	34.6	0.4	60.2	--	52.9	3.8
Qatar (91)	3,176.7	73.7	18.0	5.9	49.7	0.1	26.3	--	22.8	2.2
Saudi Arabia (91)	44,062.0	62.0	21.1	24.2	15.8	0.9	38.0	0.7	27.9	2.7
Syria (91)	3,295.0	61 4	60.0	1.4	--	--	38.6	13.5	19.8	--
Turkey (91)	13,603.0	65.9	57.9	6.1	1.9	--	34.1	6.6	12.2	--
United Arab Emirates (88)	11,873.0	64.2	10.9	6.0	46.4	0.9	35.8	1.0	24.5	5.8
ALL MIDDLE EAST COUNTRIES	132,777.6	63.2	33.6	13.2	15.7	0.7	36.4	2.6	24.2	2.9
MEMO ITEM:										
ALL DEVELOPING COUNTRIES	708,949.0	63.1	23.7	29.5	7.8	2.1	36.9	3.1	24.1	3.9

Source: Statistics compiled from UNCTAD, Handbook of International Trade and Development Statistics, 1993 or directly from the United Nations Statistical Office Series D trade tapes.

Box 1
The Geographic Destination of Egyptian Exports: 1965 to 1992.

While Table 1 provides information on the current destination of Egypt's exports one would also want to know how the relative importance of different markets has changed. If an important shift occurred more attention should be given to changes in access conditions for markets that were gaining in relative importance and less to those which were declining.

	Destination of Egyptian Exports							
Year	World	All OECD	OECD Europe	North America	Japan	All Non-OECD	Eastern Europe	Middle East
	Value of exports in terms of US $ millions							
1965-67	591,695	160,360	125,896	16,106	17,904	431,335	267,758	17,834
1970-72	792,066	162,302	123,127,4	9,062	29,990	629,793	448,612	36,713
1975-77	1,543,977	485,549	12,171	31,958	41,336	1,058,428	760,255	102,368
1980-82	3,132,778	1,821,143	1,538,343	180,159	102,559	1,311,634	343,701	502,836
1985-87	2,029,883	970,913	830,608	86,116	53,570	1,058,970	447,741	293,746
1990-92	3,108,179	1,634,028	1,297,845	269,469	65,399	1,474,150	340,888	611,774
	Share of Total Egyptian Exports							
1965-67	100.0	27.1	21.2	2.7	3.0	72.9	45.2	3.0
1970-72	100.0	20.5	15.5	1.1	3.8	79.5	56.6	4.6
1975-77	100.0	31.4	26.7	2.1	2.7	68.5	49.2	6.6
1980-82	100.0	58.1	49.1	5.8	3.3	41.9	10.9	16.1
1985-87	100.0	47.8	40.9	4.2	2.7	52.2	22.1	14.5
1990-92	100.0	52.6	41.8	8.7	2.1	47.4	11.0	19.7

The above statistics show the share of Egypt's exports destined for OECD and other markets for select intervals over 1965-67 to 1990-92. Two key trends are apparent. First, the growing relative importance of OECD markets is clear as the share of exports going to these destinations roughly doubled. Within the OECD, Europe was dominant absorbing 42 percent of Egypt's exports. Second, the above statistics show a major decline in exports destined for Eastern Europe -- a development that was accelerated by the break up of the former Soviet Union (in 1970-72 the FSU received 37 percent of Egypt's exports). Another noteworthy point concerns the rapid increase in Egypt's exports to other ME countries as this share increased more than six-fold over 1965-67 to 1990-92.*

The importance of European markets for Egyptian trade prospects is clear. As such, developments relating to the formation of the EU, further regional integration arrangements (particularly with Eastern Europe), or the impact of the Uruguay Round on European trade barriers should receive priority attention. Since North America receives less than 10 percent of Egypt's total exports it is unlikely that NAFTA will have important direct implications for Egypt. However, the indirect effects could be important if countries which are displaced in North America attempt to shift these exports to Europe and increase competitive pressures on Egypt.

*In 1992, 40 percent of Egypt's exports to the region went to Israel and 30 percent went to Saudi Arabia. Crude petroleum accounted for about 95 percent of the shipments to Israel. About 40 percent of Egypt's exports to Saudi Arabia were live animals, fresh fruit, and fresh vegetables.

billion higher than the second largest product group (manufactures -- which accounts for 24 percent of regional exports). Several countries, including Iran, Libya, Oman, Saudi Arabia and the UAE have developed only a limited capacity for exports of manufactures and are almost totally reliant on mineral fuels which account for at least 80 percent of their exports. This export concentration of some ME countries in fuels is an obvious factor limiting the opportunities mutually beneficial intra-regional trade.

Table 2 shows that Turkey, Israel and Cyprus, and to a lessor extent Jordan and Syria's exports are more heavily concentrated in manufactures than other middle-Eastern countries (68 percent of Turkey's exports are manufactured goods and their share in Israel's exports is 88 percent) Countries not specializing in energy products probably hold the key to increased regional trade opportunities since they can accommodate oil exports from other ME countries.[4] Increased opportunities for intra-regional trade may also occur in foodstuffs, the third largest ME export group (12 percent of total exports), with Cyprus, Jordan, Syria and Turkey being important net food importers.

The data in Table 2 provide preliminary evidence that some ME countries may not be strongly affected by changes in foreign trade barriers (particularly those in the OECD). Agricultural raw materials, fuels, ores and nonferrous metals generally are imported duty free, or face relatively low OECD tariffs and nontariff barriers. These items account for about 70 percent of all regional exports and over 90 percent of the exports of Iran, Libya, Oman and Saudi Arabia. The manufactures and food product exporters (Cyprus, Israel, Jordan, Syria and Turkey) have the potential to be more affected developments relating to the Uruguay Round, European integration or NAFTA.

The fact that OECD markets constitute the most important outlets for ME exports (see Table 1) raises the question of how the relative importance of individual countries differs in this exchange. The top half of Table 3 shows the value, share, and growth rates for individual regional country's total exports to the OECD for select years from 1970 to 1992 while the lower half excludes fuels. The relative importance of ME countries changes markedly depending on whether petroleum is included or excluded. Israel and Turkey are by far the largest regional non-oil exporters, accounting for over $20 billion, or 70 percent of ME shipments to the OECD. These countries' free trade area (FTA) agreements with the EU are certainly a factor accounting for their performance -- Israel also has FTA agreements with EFTA and the United States. However, once petroleum products are excluded the relative importance of individual countries changes dramatically -- Saudi Arabia alone accounts for 36 percent of all regional exports to the OECD while Iran and the UAE add a further 23 percent. Table 3 also shows the shares of some energy exporting countries have experienced sizeable changes since the early 1970s. Saudi Arabia's share increased by about 15 percentage points (to over one-third of the region's total

[4]Based on 1990 trade flow information Cyprus, Jordan, Lebanon, Israel and Turkey were all net importers of petroleum products in SITC 3. Of these countries net imports of $1.2 billion Israel accounted for 28 percent of the total and Turkey for 21 percent.

Table 2. The Product Composition of Middle East Countries' Global Exports.

		Product Group as a Percentage of Total Exports							
							Select Commodity Groups		
Exporting Country (Year)	Total Exports ($ million)	All Foods	Agricultural Materials	Fuels	Ores and Metals	All Manufactures	Textiles and Clothing	Chemicals	Transport and Machinery
Bahrain (90)	3,415.2	0.6	--	76.9	11.0	11.4	--	0.5	2.0
Cyprus (89)	793.0	37.7	0.9	1.8	0.7	59.0	29.5	7.6	4.7
Egypt (90)	2,582.0	9.3	6.2	46.9	4.0	32.4	35.4	3.3	3.3
Iran, Islamic Rep. (90)	14,409.4	2.5	0.9	92.5	0.3	3.7	--	--	0.1
Israel (91)	11,800.8	7.6	2.6	0.6	1.6	87.5	7.6	14.0	27.3
Jordan (91)	878.9	16.0	0.5	--	37.9	45.7	3.7	29.6	1.3
Kuwait (89)	11,476.5	1.1	0.4	84.1	0.5	13.7	0.7	1.0	2.4
Lebanon (89)	410.0	3.0	27.5	0.2	55.8	13.0	--	0.5	0.4
Libya (87)	8,502.7	--	--	97.8	--	2.1	--	1.9	--
Oman (89)	3,932.9	2.2	--	88.9	1.4	5.7	0.3	0.2	5.4
Qatar (89)	2,609.7	--	--	70.0	--	17.4	--	13.0	0.4
Saudi Arabia (90)	44,062.0	0.5	0.3	89.7	0.6	8.1	--	4.4	1.7
Syria (90)	4,061.6	11.6	3.8	40.5	1.4	42.6	--	10.8	0.2
Turkey (90)	12,959.3	22.4	3.0	2.3	4.3	67.9	39.0	5.9	8.2
UAE (88)	11,873.0	1.9	0.1	84.5	1.4	11.5	--	0.7	4.3
ALL MIDDLE EAST	133,857.0	4.5	1.1	68.7	1.8	23.1	5.4	4.5	4.7
MEMO ITEM: ALL DEVELOPING COUNTRIES	708,947.0	11.6	3.1	26.1	4.2	54.0	13.1	4.2	19.8

Source: United Nations Series D Trade Tapes. Import statistics as reported (c.i.f.) by the OECD countries. Product groups are defined as follows: All foods and feeds (SITC 0+1+22+4); Agricultural materials (2-22-27-28); mineral fuels (3); ores minerals and nonferrous metals (27+28+68); all manufactures (5 to 8 less 68); yarns, textiles and clothing (26+65+84); chemicals (5); transport and machinery (7).

Table 3. The Share of Individual Countries in Total and Non-Oil Exports to the OECD, Selected years from 1970 to 1992.

	Value of Regional Exports to the OECD (US$ million)				Share of Regional Exports to the OECD (%)				Growth Rate	
Product Group/Exporter	1970	1980	1986	1992	1970	1980	1986	1992	1970-92	1980-92
ALL GOODS	11,207.5	157,363.6	60,229.0	107,192.7	100.0	100.0	100.0	100.0	11	-3
Bahrain	153.9	799.3	558.1	651.7	1.4	0.5	0.9	0.6	7	-2
Cyprus	98.3	451.4	344.6	583.8	0.9	0.3	0.6	0.5	8	2
Egypt	333.0	4,470.9	2,237.3	3,898.3	3.0	2.8	3.7	3.6	12	-1
Iran, Islamic Rep. of	2,131.3	10,781.0	5,637.0	10,925.9	19.0	6.9	9.4	10.2	8	--
Israel	579.0	4,049.4	5,937.2	10,022.6	5.2	2.6	9.9	9.4	14	8
Jordan	2.0	90.0	214.8	172.3	--	0.1	0.4	0.2	22	6
Kuwait	1,750.7	9,899.0	4,067.6	2,510.4	15.6	6.3	6.8	2.3	2	-11
Lebanon	100.1	164.3	158.2	205.5	0.9	0.1	0.3	0.2	3	2
Libyan Arab Jamahiriya	2,469.1	19,795.3	6,070.6	9,801.7	22.0	12.6	10.1	9.1	6	-6
Oman	457.7	2,810.6	1,828.0	2,359.4	4.1	1.8	3.0	2.2	8	-1
Qatar	393.8	4,546.0	1,645.9	2,329.8	3.5	2.9	2.7	2.2	8	-5
Saudi Arabia	2,005.9	77,827.4	19,171.7	37,520.2	17.9	49.5	31.8	35.0	14	-6
Syria	133.5	1,439.6	523.7	2,103.8	1.2	0.9	0.9	2.0	13	3
Turkey	493.4	1,903.9	4,586.6	10,673.6	4.4	1.2	7.6	10.0	15	15
United Arab Emirates	105.8	18,335.4	7,247.5	13,433.7	0.9	11.7	12.0	12.5	25	-2
NON-ENERGY GOODS	1,804.1	9,927.2	14,577.9	28,763.7	100.0	100.0	100.0	100.0	13	9
Bahrain	10.1	111.9	267.8	383.8	0.6	1.1	1.8	1.3	18	11
Cyprus	98.3	439.0	344.6	582.1	5.4	4.4	2.4	2.0	8	2
Egypt	187.4	747.3	759.3	1,469.2	10.4	7.5	5.2	5.1	10	6
Iran, Islamic Rep. of	248.9	878.9	760.4	1,406.0	13.8	8.9	5.2	4.9	8	4
Israel	553.6	3,916.7	5,856.1	9,917.4	30.7	39.5	40.2	34.5	14	8
Jordan	2.0	90.0	188.7	172.3	0.7	1.1	0.9	0.4	22	6
Kuwait	12.8	110.8	125.2	115.6	0.1	0.9	1.3	0.6	11	--
Lebanon	60.6	164.3	158.2	205.2	3.4	1.7	1.1	0.7	6	2
Libyan Arab Jamahiriya	8.5	138.0	129.4	186.0	0.5	1.4	0.9	0.6	15	3
Oman	30.3	73.3	151.7	283.0	1.7	0.7	1.0	1.0	11	12
Qatar	2.4	21.5	51.1	118.9	0.1	0.2	0.4	0.4	19	15
Saudi Arabia	19.3	695.5	1,293.7	1,998.3	1.1	7.0	8.9	6.9	23	9
Syria	61.5	110.7	113.9	263.7	3.4	1.1	0.8	0.9	7	7
Turkey	487.1	1,886.9	4,035.6	10,454.8	27.0	19.0	27.7	36.3	15	15
United Arab Emirates	21.4	542.3	342.4	1,207.4	1.2	5.5	2.3	4.2	20	7

Source: OECD countries import statistics as reported as reported in the UN COMTRADE Data Base.

Box 2
Secular Changes in the Composition of Egyptian Exports: 1965 to 1992

Historically, major changes have occurred in the commodity structure of Egypt's exports with a key factor being the increase in the importance of petroleum and petroleum based products.* Also, the volatility in international prices of energy goods has been a major factor causing the sizeable year-to-year changes of petroleum and other groups shares in total exports. For example, in 1980-82 mineral fuels accounted for about 65 percent of total exports, but by the early 1990s the share had fallen to about 44 percent. According to UNCTAD (1992, Table 2.7) crude petroleum prices fell by approximately 40 percent over the decade.

		Product Group as a Percentage of Total Egyptian Exports						
							of which:	
Year	Total Exports ($ million)	All Foods	Agricul-tural Material	Fuels	Ores & Non-Ferrous Metals	All Mfgs.	Textiles	Clothing
1965-67	591,695	16.7	54.5	5.4	1.6	21.6	16.1	0.4
1970-72	792,066	18.2	48.5	4.1	0.4	28.7	17.9	1.8
1975-77	1,543,977	18.6	32.1	20.0	1.5	27.7	15.3	3.4
1980-82	3,132,778	7.1	15.1	65.0	3.5	9.2	6.7	0.6
1985-87	2,029,883	8.0	13.0	51.2	6.0	21.8	16.7	1.3
1990-92	3,108,179	9.5	4.7	43.8	6.4	35.5	15.6	5.2

Note: 1992 Major Export Items in Each Group and Share of Group Total

(i) Foods -- Fresh Vegetables (SITC 054) - 28%; Rice (SITC 042) - 17%;
(ii) Agricultural Materials -- Cotton (SITC 263) - 56%; Crude Vegetable Material (SITC 292) - 30%
(iii) Fuels -- Crude Petroleum (SITC 331) - 87%
(iv) Ores and Nonferrous Metals -- Aluminum (SITC 684) - 90%
(v) Manufactures -- Textile Yarn (SITC 651) - 23%; Clothing (SITC 841) - 15%

An important change also occurred in the relative importance of agricultural raw materials in Egypt's exports -- the share of these goods fell from about 55 percent in the mid-1960s to under 5 percent today. Cotton was the major product accounting for this decline as the value of cotton exports in 1992 ($53 million was about six times lower than in 1965 $337 million). Part of the decline is accounted for by further local processing of domestically produced cotton into yarns, textiles and clothing, although Egyptian cotton became more and more disadvantaged in terms of competing international prices.

Increased aluminum exports account for almost all of the change in the ores, minerals and nonferrous metals group. The share of manufactures in Egypt's exports increased by approximately 14 percentage points over the period with textile yarn, clothing, iron and steel products, and manufactured fertilizers accounting for much of the increase.

Although the share of foods in Egypt's total exports declined by about 7 percentage points (to 9.5 percent) several products within this sector (cereal preparations, fresh meat, fresh fish) recorded growth rates that were among the highest for any three-digit SITC product group (see Table 6). Since increased agricultural production and exports could help alleviate rural poverty special attention should focus on the removal of foreign trade barriers facing these goods.

*Egypt has departed from established UN practices and does not include petroleum produced and exported by foreign firms in its official trade statistics. Exclusion of these shipments causes Egypt's annual exports to be under-reported by some $1 to $1.5 billion.

exports) while Iran and Libya's shares fell by 13 and 15 points respectively.

What non-energy products are regional countries exporting to the OECD and how has the composition of these exports changed? Table 4 lists the 30 largest non-oil products ME countries now export and also shows the shares of these goods for selected years back to 1970. One three-digit SITC item (nonfur clothing) now accounts for over one-fifth of all 1992 exports, and has also had one of the highest growth rates over the last decade. The Uruguay Round achieved a major liberalization for textiles and clothing (see Section IV in this study) which could further increase ME export opportunities for these goods *if they are cost competitive.* Other products in Table 4 that previously faced relatively high European and North American trade barriers which were lowered in the Round include: fresh and preserved fruit and vegetables, and textile fabrics.

An interesting point relating to Table 4 is that one-third of the products listed actually saw their market shares decline over the full 1970-1992 period -- a development which is, in part, associated with the major expansion of clothing exports. The largest overall reduction occurred for cotton (a fall of about 16 percentage points), but the shares of other agricultural products like fresh fruit and nuts, fresh vegetables, tobacco, and dried fruit also experienced important reductions. There is evidence (Laird and Yeats, 1990) that rising protection in European markets (and subsidized OECD agricultural exports) was an important constraint to the growth of agricultural exports.

Although they presently may not constitute a large share of ME exports, there are reasons why one should identify "dynamic" (fastest growing) exports. If current above average growth rates continue for an extended period these items may become an important part of a country's export earnings. Second, it could be important to determine if the dynamic products have different production characteristics than traditional exports. If they are (say) significantly more capital intensive one would want to determine the reason and whether export opportunities exist in other related goods. Third, there is an obvious interest in ensuring that foreign trade barriers are not imposed on these items, or that existing restrictions are removed. Table 5 lists the 30 fastest growing three-digit exports from the region over 1986-92 (1988-92 growth rates are also shown) and identifies the major ME supplier along with its regional trade share. Table 6 provides similar information for Egypt's dynamic and declining products.

Two-thirds of the ME dynamic products listed in Table 5 are manufactured goods. Several of these items require locally available natural resource based production inputs (i.e., manufactures such as cement and products; clay and refractory materials) and many of these items are above average in labor intensity in comparison to all manufactured goods. This raises the question of whether other similar types of exports could be developed on the basis of further processing of domestically available natural resources? Petroleum based chemical and plastic industries may be one such suitable sector for further export development given the availability

Table 4. Middle Eastern Countries' Thirty Largest Three-Digit Non-Energy Product Exports to OECD Countries, 1992.

	Value of Exports ($million)				Percent of Total Exports (%)			
Description (SITC)	1970	1980	1986	1992	1970	1980	1986	1992
Clothing not of fur (841)	43.5	413.4	1,620.9	6,064.9	2.4	4.2	11.1	21.1
Pearls and precious stones (667)	139.2	1,174.0	1,771.6	2,817.7	7.7	11.8	12.2	9.8
Fresh fruit and nuts (051)	258.8	904.9	919.2	1,231.3	14.3	9.1	6.3	4.3
Organic chemicals (512)	6.3	205.6	736.1	1,103.3	0.3	2.1	5.0	3.8
Floor coverings (657)	125.5	676.5	474.3	856.4	7.0	6.8	3.3	3.0
Telecommunications equipment (724)	5.7	58.3	136.4	839.3	0.3	0.6	0.9	2.9
Gold and silver jewelry (897)	1.4	123.7	278.9	582.1	0.1	1.2	1.9	2.0
Aluminum (684)	0.4	148.6	442.5	568.1	--	1.5	3.0	2.0
Fruit preserved (053)	38.2	178.4	259.6	554.2	2.1	1.8	1.8	1.9
Textile yarn and thread (651)	44.5	344.9	499.4	552.4	2.5	3.5	3.4	1.9
Scientific instruments (861)	3.4	57.6	141.1	531.3	0.2	0.6	1.0	1.8
Plastic materials (581)	3.3	48.1	357.7	526.3	0.2	0.5	2.5	1.8
Nonelectric machinery (719)	6.5	89.0	161.8	499.6	0.4	0.9	1.1	1.7
Nonelectric power machinery (711)	13.1	276.7	324.0	498.4	0.7	2.8	2.2	1.7
Fresh vegetables (054)	63.5	232.8	220.1	467.6	3.5	2.3	1.5	1.6
Office machinery (714)	2.4	33.2	143.7	439.4	0.1	0.3	1.0	1.5
Tobacco unmanufactured (121)	74.6	204.8	314.1	431.7	4.1	2.1	2.2	1.5
Electrical machinery, nes (729)	4.7	98.5	272.9	358.5	0.3	1.0	1.9	1.2
Dried fruit (052)	35.1	195.2	183.6	345.7	1.9	2.0	1.3	1.2
Textile products nes (656)	0.7	59.2	113.0	333.0	--	0.6	0.8	1.2
Manufactured fertilizers (561)	16.6	122.2	283.2	315.6	0.9	1.2	1.9	1.1
Woven textiles noncotton (653)	7.4	21.4	41.4	302.7	0.4	0.2	0.3	1.1
Crude vegetable materials (292)	30.7	209.5	218.4	301.9	1.7	2.1	1.5	1.0
Cotton fabrics woven (652)	13.2	54.7	126.8	267.2	0.7	0.6	0.9	0.9
Other crude minerals (276)	21.5	166.6	202.8	246.3	1.2	1.7	1.4	0.9
Cotton (263)	292.3	565.6	461.8	241.3	16.2	5.7	3.2	0.8
Electric power machinery (722)	2.1	39.5	77.0	239.4	0.1	0.4	0.5	0.8
Electrical Distributing machinery (723)	0.1	5.9	32.6	236.9	--	0.1	0.2	0.8
Rubber articles nes (629)	10.1	52.5	76.4	215.0	0.6	0.5	0.5	0.7
Road motor vehicles and parts (732)	1.5	22.2	46.3	204.6	0.1	0.2	0.3	0.7
TOTAL OF ABOVE PRODUCTS	1,266.4	6,783.4	10,937.6	22,172.0	70.2	68.3	75.0	77.1

Source: United Nations Series D. Trade Tapes. The above statistics exclude aircraft and special transactions recorded in SITC 931.

Table 5. Dynamic Products in Middle East Countries' Exports to OECD Markets.

		OECD Imports ($ 000)			Growth Rate	
Product (SITC)	Major 1992 Suppliers (share)	1986	1988	1992	1988-92	1986-92
Barley unmilled (043)	Cyprus (100)	18.6	5,633.7	1,534.9	-28	109
Rice (042)	Egypt (88)	115.1	3,235.8	6,062.3	17	94
Cement and building products (661)	Turkey (89)	7,708.2	42,472.8	150,721.8	37	64
Lead (685)	Lebanon (48), Israel (27)	90.8	1,678.2	1,397.2	-4	58
Clay and refractory products (662)	Turkey (88)	4,740.4	13,263.9	62,029.4	47	54
Domestic electrical equipment (725)	Turkey (83)	5,905.6	32,513.6	73,264.5	-3	52
Leather (611)	Saudi Arabia (66)	2,734.8	11,502.2	30,354.7	26	49
Plumbing and heating equipment (812)	Turkey (85)	8,451.1	21,736.1	73,978.8	36	44
Wire products (693)	Turkey (86)	4,320.8	8,359.0	34,496.7	43	41
Woven textiles noncotton (653)	Turkey (74), Israel (21)	41,421.2	162,818.0	302,697.6	17	39
Electrical distributing machines (723)	Turkey (86)	32,646.4	20,717.2	236,913.0	84	39
Natural abrasives (275)	Israel (60), Turkey (39)	4,920.7	26,550.6	34,625.0	7	38
Silk (261)	Turkey (100)	105.0	1,464.3	718.5	-16	38
Special textile products (655)	Israel (61), Turkey (36)	11,315.8	29,013.7	75,066.7	27	37
Leather manufactures (612)	Turkey (75)	982.8	3,495.4	6,571.2	18	37
Wood in the rough (242)	Turkey (94)	1,057.0	580.5	6,721.1	84	36
Telecommunications equipment (724)	Israel (54), Turkey (26)	136,379.9	353,722.6	839,290.7	24	35
Iron and steel castings (679)	Turkey (84)	1,211.2	3,203.1	7,469.3	24	35
Zoo animals and pets (941)	Turkey (48), Egypt (33)	766.5	2,421.2	4,726.3	18	35
Radioactive materials (515)	Israel (92)	237.5	570.5	1,393.8	25	34
Wood shaped (243)	Turkey (93)	1,687.5	1,729.2	9,767.5	54	34
Iron and steel wire (677)	Turkey (87)	327.7	5,418.0	1,882.4	-23	34
Non-alcoholic beverages (111)	Cyprus (35), Turkey (32)	1,189.8	3,770.1	6,283.1	14	32
Wheat meal or flour (046)	Turkey (38), Lebanon (34)	143.3	498.9	677.9	8	30
Road motor vehicles and parts (732)	Turkey (70), Israel (13)	46,253.0	91,420.1	204,645.4	22	29
Base metal household equipment (697)	Turkey (83)	11,753.0	20,578.0	50,718.4	25	28
Wheat unmilled (041)	Saudi Arabia (96)	3,652.2	61,955.2	15,850.5	-29	28
Soaps and cleansing preparations (554)	Israel (58), Turkey (32)	2,789.4	2,907.1	12,012.1	43	28
Milk and cream (022)	Israel (50), Saudi Arabia (13)	416.5	400.1	1,454.3	38	27
Iron and steel forms (672)	Turkey (80), Egypt (9)	17,784.6	149,733.8	73,519.7	-16	27

Source: United Nations Series D trade tapes To be included in the above tabulations OECD imports of the product had to total at least $500,000 in 1992.

of crude petroleum in many ME countries.[5] The fact that these plants require sizeable capital investments could make multi-country regional investment in jointly owned plants to process and refine petroleum an attractive option.

It is somewhat surprising that two of the fastest growing products over 1986-1992 (barley and rice) are foodstuffs -- although barley exports fell sharply from 1988 levels. Wheat meal, unmilled wheat, and milk and cream also record growth rates that are well above average.[6] The fact that one-sixth of the dynamic products are foodstuffs, coupled with the Uruguay Round's tariffication and reduction of NTMs on agricultural trade, should focus attention on whether there are further agricultural export opportunities. Increased agricultural exports should assume special importance for Egypt, and several other middle-Eastern countries, since these goods could alleviate the situation of the rural poor.[7] Specifically, studies by the International Labor Office show that developing countries may use (on average) up to 30 times as much labor per unit of agricultural output as some developed countries. The ILO studies also conclude that the linkage and multiplier employment creation effects in the agricultural sector of developing countries are among the largest (with textiles) of all industry groups. These findings imply that an expansion of agricultural exports could make a significant contribution to alleviating the basic social and employment situation in developing countries (Lydall 1985).

One troubling aspect associated with Table 5 is that two countries (Turkey and Israel) are the major suppliers for most of the ME dynamic products. In only 9 of the 30 products do other countries register a presence -- often with either Turkey or Israel. This suggests that the recent rapid growth of exports from the region has been highly concentrated and that most countries are not participating in the associated benefits. Egypt appears as a primary supplier for only three dynamic products (rice, zoo animals and pets, and iron and steel forms) while Iran, Syria and the smaller regional countries fail to appear on the list for any product.

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[5]In 1992, OECD countries imported $1.2 billion of fresh fruit and nuts from the region and close to $400 million of fresh vegetables. There may be additional opportunities for further processing of these goods (freezing, canning, drying, etc.) that could increase their value added content and also have important job creating effects. Since food processing normally increases the usable life of a product further processing could also be an important factor reducing food spoilage. Other major crude material exports that may be suitable for further regional processing include unmanufactured tobacco ($432 million, undressed hides and skins ($112 million), raw cotton ($200 million), oilseeds ($60 million) and crude minerals such as natural asphalt, clays, borates and mica ($241 million).

[6]These agricultural product exports have varied destinations. Turkey receives all of the region's barley exports and over half the shipments of unmilled wheat. Over 40 percent of the region's rice exports go to Switzerland while more than two-thirds of the wheat meal exports go to the European Union.

[7]For example, Beissner and Hemmer (1981) note that "As clearly shown by many empirical studies the problem of absolute poverty in the developing countries is primarily a rural problem. Selective measures against absolute poverty must therefore focus on agricultural production. Not only must the production of food for domestic consumption be increased, but it should be examined how far an expansion of export-oriented agricultural production could contribute to improved living conditions in rural areas. There would, however, be no point in this if large economic regions like the European Community apply protectionist measures against the outside world."

Table 6 shows the dynamic products in Egypt's exports over 1980-82 to 1990-92 along with those products where exports declined. (Box 3 provides information on Egypt's largest export products for comparison). For the most part, Egypt's dynamic products differ from those of the region as only cement, leather manufactures, and plumbing equipment also appear on the list of ME fast growing exports. However, a common point is that manufactured goods also are predominant in Egypt's fastest growing exports (15 out of 21 dynamic products are manufactures). Four of Egypt's manufactures exports: iron and steel shapes; glassware; miscellaneous chemicals; and plastic articles maintained a 50 percent compound annual growth rate over the decade.

Five food products (fresh meat and fish, cereal preparations, cheese and miscellaneous food are among Egypt's fastest growing exports and the total trade in these items surpassed $42 million annually in 1990-92. Given the major trade barriers these products face in OECD markets Egypt's exports were directed almost exclusively to other developing countries. For example, over 94 percent of Egypt's 1992 exports of fresh meat (SITC 011) went to Kuwait, Saudi Arabia and Qatar while over 50 percent of the exports of cereal preparations went to Russia and Saudi Arabia. Russia received about one-third of Egypt's exports of miscellaneous food preparation (SITC 099) while about 28 percent of these shipments went to Jordan, Kuwait and Saudi Arabia. Italy was the major destination for Egypt's fresh fish exports (SITC 031) absorbing 65 percent of total shipments.

Eleven of Egypt's "declining" products recorded negative growth rates with crude and refined petroleum accounting for almost half of this groups total exports. The decline is largely the result of weakness in crude petroleum prices which fell by about 50 percent on average over the 1980-82 to 1990-92 period. Cotton exports, which accounted for 6 percent of the declining products exports, largely due to the increased utilization of domestic production the local textile and garment industry and the fact that Egyptian cotton became less competitively priced over the period.

A. Trends in Intra-Regional Trade

A major problem one faces in trying to analyze trends in intra-regional trade is that some countries have gaps in their import and export statistics reported to the United Nations. Egypt, Turkey, Israel and several other countries are exceptions since they provided the UN with complete trade data from the early 1960s to 1992. Conversely, Lebanon and Iran have not reported trade data to the United Nations since 1977 and 1988 is the most recent year for which Bahrain's data are available. Major gaps (missing years) exist in Oman, Qatar, Saudi Arabia and the UAE's trade statistics. As such, partner country statistics must be used to derive

Table 6. Dynamic and Declining Products in Egypt's Exports: 1980-82 to 1990-92.

Description (SITC)	1980-82 Average Exports		1990-92 Average Exports		Compound Growth Rate
	Value ($ 000)	Share of Total	Value ($ 000)	Share of Total	
DYNAMIC PRODUCTS					
Iron and Steel Shapes (673)	181	--	32,573	1.2	68.1
Glassware (665)	52	--	6,768	0.2	62.7
Chemicals, nes (599)	203	--	21,185	0.8	59.2
Articles of Plastic (893)	125	--	7,860	0.3	51.4
Plumbing and Lighting Equipment (812)	167	--	9,453	0.3	49.7
Meat Fresh and Frozen (011)	226	--	12,504	0.4	49.4
Cereal Preparations (048)	100	--	4,220	0.1	45.5
Rubber Articles (629)	59	--	2,491	0.1	45.3
Iron and Steel Tubes (678)	286	--	10,546	0.4	43.4
Stone, Sand and Gravel (273)	130	--	3,857	0.1	40.3
Leather Manufactures (612)	206	--	5,892	0.2	39.9
Cheese and Curd (024)	150	--	3,863	0.1	38.4
Food Preparations, nes (099)	484	--	10,897	0.4	36.5
Manufactured Fertilizers (561)	1,165	--	25,544	0.9	36.2
Structures and Parts (691)	252	--	4,973	0.2	34.7
Inorganic Chemicals (514)	58	--	989	0.0	32.7
Furniture (821)	2,702	0.1	40,974	1.5	31.2
Metal Manufactures, nes (698)	581	--	8,600	0.3	30.9
Wood Manufactures, nes (632)	268	--	3,686	0.1	30.0
Fresh Fish (031)	870	--	11,478	0.4	29.4
Cement and Building Products (661)	310	--	3,534	0.1	27.6
DECLINING PRODUCTS					
Live Animals (011)	21,347	0.7	17,256	0.6	-2.1
Petroleum Products (332)	264,736	8.6	212,159	7.5	-2.2
Oil Seeds and Nuts (221)	7,787	0.3	5,832	0.2	-2.8
Essential Oils (551)	10,982	0.4	7,928	0.3	-3.2
Preserved Fruit (053)	6,795	0.2	3,720	0.1	-5.8
Sugar and Honey (061)	18,370	0.6	9,751	0.3	-6.1
Crude Petroleum (331)	1,746,086	56.7	818,362	29.1	-7.3
Tobacco Manufactures (122)	2,498	0.1	923	--	-9.5
Cotton (263)	431,453	14.0	130,811	4.6	-11.2
Crude Fertilizers (271)	2,349	0.1	513	--	-14.1
Non-Ferrous Metal Scrap (284)	25,368	0.8	586	--	-31.4

Source: United Nations Series D Trade Tapes.

Box 3
Egypt's Largest Three-Digit Global Exports: 1970-72, 1980-82 and 1990-92

As was the case with all regional countries as a group, major changes have occurred in the structure of Egyptian exports over the last two decades. The following statistics based on 1970-72, 1980-82 and 1990-92 exports (three year averages were used to reduce the importance of any irregularities that might occur in a single year), show how the shares of major three-digit SITC export products have changed. Altogether, the 20 items listed below now account for approximately 85 percent of Egypt's total exports and have accounted for as much as 95 percent in 1980-82. An important point to note is that these data understate the true importance of petroleum (by about $1 to $1.5 billion) due to Egypt's unusual practice of not reporting produced and exported by foreign firms in its official export statistics.

	Value of Exports ($000)			Percent of Total Exports (%)		
Description (SITC)	1970-72	1980-82	1990-92	1970-72	1980-82	1990-92
Crude Petroleum (331)	29,267	1,750,025	1,111,555	3.7	55.9	35.8
Textile Yarn and Thread (651)	88,106	159,023	317,069	11.1	5.1	10.2
Petroleum Products (332)	2,527	284,602	190,409	0.3	9.1	6.1
Aluminum (684)	227	90,397	185,127	--	2.9	6.0
Nonfur Clothing (841)	14,094	19,415	160,855	1.8	0.6	5.2
Cotton (263)	376,354	446,766	107,443	47.5	14.3	3.5
Cotton Fabrics (652)	40,881	36,334	88,505	5.2	1.2	2.8
Fresh Vegetables (054)	25,605	57,158	80,340	3.2	1.8	2.6
Fresh Fruit and Nuts Dry (051)	16,715	52,179	56,163	2.1	1.7	1.8
Natural Gas (341)	4	0	45,764	--	0.0	1.5
Furniture (821)	6,296	2,669	41,035	0.8	0.1	1.3
Rice (042)	61,887	29,811	38,806	7.8	1.0	1.2
Textile Products nes (656)	6,208	7,658	36,682	0.8	0.2	1.2
Perfumes and Cosmetics (553)	4,247	4,591	28,414	0.5	0.1	0.9
Crude Vegetable Materials (292)	2,438	11,140	27,730	0.3	0.4	0.9
Floor Coverings (657)	5,044	6,192	27,647	0.6	0.2	0.9
Iron and Steel Shapes (673)	225	121	25,219	--	--	0.8
Chemicals nes (599)	182	266	22,535	--	--	0.7
Manufactured Fertilizers (561)	1,786	838	21,546	0.2	--	0.7
Medicinal Products (541)	2,051	6,298	20,519	0.3	0.2	0.7
TOTAL OF ALL ABOVE ITEMS	684,144	2,965,483	2,633,263	86.2	94.8	84.8

Perhaps the two most striking statistics relate to crude petroleum (even with the under-reporting problem) and cotton. Petroleum's share in total exports rose almost ten-fold over 1970-72 to 1990-92 and now accounts for almost 36 percent of all exports (41.9 percent if refined petroleum products are also included. The importance of this observation is that crude petroleum generally faces no, or very limited, OECD trade barriers so a large share of Egyptian exports would not be affected by either OECD integration efforts or the Uruguay Round.* However, the textile and clothing products that are among Egypt's major exports will certainly be affected by the MFA phase-out. *Whether this is a positive or negative development will depend on Egypt's ability to compete on even terms with other developing countries.*

*Exception are those products for which Egypt does not receive important GSP preferences and to which high MFN tariffs are applied. In North America, textiles, clothing and footwear do not receive either GSP or Caribbean Basin Initiative preferences so the potential for a sizeable NAFTA induced displacement may exist. However, Safadi and Yeats (1994) and Primo Braga, Safadi and Yeats (1994) show that Mexico appears to have important supply constraints that should limit its capacity to displace third country exports to the United States.

estimates of intra-regional trade trends.[8] This procedure is employed in the preparation of Table 7 which shows the value and share of each country's 1970, 1980 and 1990 intra-regional trade along with compound annual growth rates. The notes to Table 7 provide information on how these data were derived.

For 1990, intra-regional exports are estimated to have been $8.3 billion -- down by approximately 45 percent from their value of a decade earlier. The overall decline is largely due to, a sharp decline in intra-regional shipments of crude oil for refining, lower petroleum prices and the importance of energy products in regional intra-trade (see Table 8). Five countries, namely, Jordan, Saudi Arabia, Syria, Turkey and the UAE account for the bulk of this exchange i.e. over 60 percent of intra-trade. In contrast, Bahrain, Israel, Lebanon and Qatar only have a combined share of about 8 percent. Egypt's share of intra-regional exports is under 5 percent with petroleum exports to Israel accounting for a large portion of this exchange. Box 4 provides details on Egypt's largest three-digit SITC regional exports.

How important is intra-regional trade in the total exports of these middle-Eastern countries? Taking the statistics in Table 7 as a share of the total export values for ME countries given in Table 1 shows intra-trade accounts for only about 7 to 8 percent of all exports. These figures may appear low at first, but a key point is that ME countries as a group only absorb about 3 to 4 percent of global exports. As such, ME countries have a higher than average propensity to trade with each other. For several countries the intra-regional trade shares are considerably higher than the group average. Between 13 to 16 percent of all Egypt and Turkey's exports go to the region as do over 50 percent of all Cyprus' exports (mainly to Turkey).

What products are of primary importance in intra-regional trade? Table 8 shows the 20 largest three-digit SITC products traded along with the estimated value and share of this exchange. Although their shares have been very volatile -- due to price changes -- crude and refined petroleum products accounted for approximately one-third of intra-regional trade in 1990 -- down from their 80 percent share in 1980. The petroleum price changes and their impact on product shares conceal to some extent the impressive growth that has occurred in the intra-regional exports of fruit, vegetables and live animals (i.e., items which are now three of the five largest export products).

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[8]For example, Lebanon did not report its exports to the region in 1990. This exchange was estimated using reported imports from Lebanon by partners such as Egypt, Turkey, Cyprus, etc. Two problems should be noted with regard to this approach. First, imports are normally valued on a c.i.f. basis while exports are reported f.o.b. As such, the partner country data will overstate true exports by the margin of transport and insurance costs. Second, if some partner countries did not report data (like Lebanon-Iran in 1990) these bilateral flows would have to be excluded from these estimates of intra-regional trade. See the notes to Table 7 for details on how the regional trade data were estimated. These procedures did produce several interesting anomalies. For example, in 1990 Saudi Arabia reported no exports to the region yet regional countries reported about $1.4 billion in imports from Saudi Arabia.

Table 7. The Share of Individual Countries in Total Intra-Regional Exports, Selected Years from 1970 to 1992.

	Value of Intra-Regional Exports (US$ million)			Share of All Intra-Regional Exports (%)			Growth Rate	
Product Group/Exporter	1970	1980	1990	1970	1980	1990	1970-90	1980-90
ALL GOODS	3,399.9	16,708.7	8,879.1	100.0	100.0	100.0	4.9	-6.1
Bahrain	242.2	3,808.5	231.7	7.1	22.8	2.6	-0.2	-24.4
Cyprus	109.1	551.7	94.4	3.2	3.3	1.1	-0.7	-16.1
Egypt	34.0	269.0	387.4	1.0	1.6	4.4	12.9	3.7
Iran, Islamic Rep. of	2,454.8	851.3	734.6	72.2	5.1	8.3	-5.8	-1.4
Israel	30.3	69.1	128.1	0.9	0.4	1.4	7.5	6.4
Jordan	29.8	419.4	208.6	0.0	2.5	2.3	10.2	-6.7
Kuwait	49.1	1,402.1	139.8	1.4	8.4	1.6	5.4	-20.5
Lebanon	222.0	742.2	263.1	6.5	4.4	3.0	0.8	-9.9
Libyan Arab Jamahiriya	7.3	783.1	636.1	0.2	4.7	7.2	25.0	-2.2
Oman	0.1	3,748.3	279.3	--	22.4	3.1	48.7	-22.9
Qatar	18.5	116.7	260.3	0.5	0.7	2.9	14.1	8.4
Saudi Arabia	143.9	3,264.3	1,609.2	4.2	19.5	18.1	12.8	-6.8
Syria	2.4	103.2	866.4	0.1	0.6	9.8	34.2	23.7
Turkey	47.8	493.3	1,923.8	1.4	3.0	21.7	20.3	14.6
United Arab Emirates	8.6	75.5	1,116.3	0.3	0.5	12.6	27.5	30.9

Source: All data drawn from United Nations COMTRADE records.

Methodological Notes

1990 -- Countries failing to report trade statistics for 1990 include: Bahrain; Iran; Lebanon; Qatar and the UAE. Regional partner country statistics for Iran, Lebanon and the UAE were employed to estimate these countries exports. The above tabulations will, therefore, not include these nations' intra-trade. Also, 1988 trade statistics were used in the above for Bahrain and 1991 data for Qatar. Partner country statistics were used to estimate Saudi Arabia's exports to the region. In 1990 Cyprus did not report exports to Turkey.

1980 -- Countries failing to report trade data for 1980 include: Iran, Lebanon, Qatar and the UAE. Partner country data were used to estimate Iran and Lebanon's exports. The above tabulations employ 1979 trade statistics for Qatar and the UAE.

1970 -- Partner country data were used to estimate UAE exports. The above tabulations are based on 1974 trade data for Saudi Arabia and Syria, 1972 data for Qatar, and 1975 data for Oman.

Table 8. Middle Eastern Countries' Twenty Largest Three-Digit Intra-Regional Exports, 1970, 1980 and 1990.

	Value of Exports ($000)			Percent of Total Exports (%)		
Description (SITC)	1970	1980	1990	1970	1980	1990
Crude Petroleum (331)	31,684	2,051,579	1,886,796	0.93	12.28	21.25
Petroleum Products (332)	29,051	963,226	424,976	0.86	5.76	4.79
Fresh Fruit and Nuts (051)	20,727	48,472	331,344	0.61	0.29	3.73
Fresh Vegetables (054)	18,887	46,829	288,776	0.56	0.28	3.25
Live Animals (001)	32,845	19,021	283,055	0.96	0.11	3.19
Plastic Materials (581)	1,867	7,352	279,824	0.06	0.04	3.15
Iron and Steel Shapes (673)	3,239	64,125	255,721	0.09	0.38	2.88
Aluminum (684)	1,605	16,789	143,153	0.05	0.10	1.61
Nonfur Clothing (841)	8,274	92,921	137,907	0.24	0.56	1.55
Articles of Paper (642)	902	7,133	95,222	0.03	0.04	1.07
Fixed Vegetable Oils (421)	2,563	1,411	93,289	0.08	0.01	1.05
Electrical Distributing Machinery (723)	1,562	7,778	85,611	0.05	0.05	0.96
Textile Yarn and Thread (651)	4,283	543	84,181	0.13	--	0.95
Machines Nonelectric, nes (719)	12,039	39,853	83,418	0.35	0.24	0.94
Road Motor Vehicles (732)	34,194	149,107	82,060	1.01	0.89	0.92
Natural Gas (341)	934	88,500	81,831	0.03	0.53	0.92
Gold Silverware and Jewelry (897)	2,608	26,234	79,358	0.08	0.16	0.89
Copper (682)	207	1,954	72,775	0.01	0.01	0.82
Soaps and Cleaning Preparations (554)	1,441	10,985	70,879	0.04	0.07	0.80
Medicinal Products (541)	3,198	3,526	69,672	0.06	0.02	0.78

Source: United Nations Series D Trade Tapes. Data are based on import statistics of the regional countries. Information on Iran, Bahrain and Lebanon's imports are missing from the 1990 data. The 1980 statistics do not include Lebanon and Iran while UAE data are not included in the 1970 totals. See the notes to Table 7 for details on how the totals were compiled.

Box 4
Egypt's Largest Three-Digit Regional Exports: 1970-72, 1980-82 and 1990-92

What is Egypt exporting to the region and how has the product composition of this exchange been changing. The following tabulations show that crude petroleum accounts for over 50 percent of Egypt's intra-regional exports -- up from approximately 2 percent in the early 1970s (the share of petroleum may be even higher given the Egyptian practice of not including foreign company exports in official trade data). Approximately 97 percent of the petroleum exports go to Israel, with small amounts destined for Turkey and the UAE. Foodstuffs play an important role in Egypt's intra-regional trade as these products comprise four of Egypt's eight largest three-digit exports. In 1992, 55 percent of Egypt's total intra-regional food exports went to Saudi Arabia, 12 percent to Libya and 15 percent to Syria and Lebanon combined.

	Value of Exports ($000)			Percent of Total Exports (%)		
Description (SITC)	1970-72	1980-82	1990-92	1970-72	1980-82	1990-92
Crude Petroleum (331)	705	395,830	268,777	1.9	78.7	53.5
Fresh Vegetables (054)	1,611	16,518	36,282	4.4	3.3	7.2
Rice (042)	7,778	5,048	24,864	21.2	1.0	4.9
Textile Yarn (651)	2,487	1,146	19,061	6.8	0.2	3.8
Fresh Fruit and Nuts (051)	774	16,051	14,581	2.1	3.2	2.9
Aluminum (684)	0	7,012	14,401	0.0	1.4	2.9
Live Animals (001)	1,550	21,155	14,259	4.2	4.0	2.8
Nonfur Clothing (841)	323	677	13,837	0.9	0.1	2.8
Medicinal Products (541)	721	4,443	11,140	2.0	0.9	2.2
Iron and Steel Shapes (673)	27	121	9,957	0.1	--	2.0
Cotton Fabrics (652)	3,373	4,443	9,643	9.2	0.9	1.9
Chemicals nes (599)	5	70	6,877	--	--	1.4
Footwear (821)	10	256	6,208	--	0.1	1.2
Natural Gas (341)	4	0	5,970	--	0.0	1.2
Petroleum Products (332)	325	0	5,100	0.9	0.0	1.0
Furniture (821)	288	649	5,046	0.8	0.1	1.0
Cereal Preparations (048)	84	113	4,796	0.2	--	1.0
Base Metal Household Equipment (697)	67	142	4,583	0.2	--	0.9
Glassware (665)	11	1	4,576	--	--	0.9
Metal Manufactures (698)	151	121	4,520	0.4	--	0.9

Several of the products listed above (textile yarn, nonfur clothing, cotton fabrics and footwear) are normally manufactured by labor intensive production processes so their appearance is something of a surprise. The direction of this exchange conforms to what would be predicted by factor proportions theory as over 50 percent of the shipments of these products go to Saudi Arabia and Libya -- both relatively high income and high wage cost countries.

In terms of total intra-regional exports Israel is currently the largest single destination receiving 41 percent of Egypt's exports, followed by Saudi Arabia (28 percent) and Syria (5 percent). These shares, however, are highly affected by oil exports. When petroleum is excluded Saudi Arabia is the largest destination receiving 48 percent of Egypt's exports followed by Libya with 14 percent. In contrast, Israel only receives under 3 percent on non-energy goods exported by Egypt.

In 1990 Egyptian exports to Iraq were only $31 million so the gulf war has not had a major impact on the structure of intra-regional exports. Four two-digit SITC products: plastics (SITC 58); iron and steel (SITC 67); metal manufactures (SITC 69); and plumbing equipment (SITC 81) accounted for over two-thirds of Egypt's exports to Iraq.

III. Characteristics of Regional Trade

Several statistical indices can provide useful insights concerning international trade trends. One such measure -- the so called "trade intensity" index has been used to determine whether the value of trade between two countries is greater or smaller than what would be expected on the basis of their importance in world trade. For example, Table 1 showed that approximately 40 percent of Egypt's exports go to the European Union. Is this above or below what would be projected on the basis of the two partner's relative size in global trade? Is Egypt's trade with other regional countries, about 14 percent of total exports, higher or lower than might be expected? Identification of bilateral combinations where trade is well below expected levels may often help focus attempts to identify and remove important trade barriers.

Table 9 shows 1992 "trade intensity" indices between selected individual ME countries' for which required UN data were available and various trading partners. The index may range between zero and infinity and has a relatively simple interpretation.[9] Values below unity indicate that the trade between two countries is lower than expected, while values above unity indicate it is relatively larger. A point to note is that, on average, ME countries absorb about 3 to 4 percent of global exports. Therefore, any country that had a higher share of total exports going to the middle-East could be thought of as having an above average tendency to trade with the region.

Table 9 suggests that most regional trade flows are <u>not</u> consistently lower than what should be expected while the exchange with Europe is larger in the case of Cyprus, Libya and Turkey. For example, Table 9 indicates that the share of Egypt's exports to region are about four times larger than what might be expected while the trade intensity indices for Syria, Oman and Jordan are even higher. The ratios for Japan are (with the exception of Israel) well below unity indicating a much lower than expected propensity to trade. Where does intra-regional trade originate and where does it go? As previously noted (see Table 7) this question is not easily answered since there are major gaps in some ME countries' official trade statistics. However, employing the information that exists in connection with the partner country trade data will allow one to produce some estimates.[10] Of course, when neither partner country has reported (i.e.,

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[9]The "trade intensity" index is defined as the shar of one country's exports doing to a partner divided by the share of world exports going to the partner. That is,

$$(1) \qquad TI_{ij} = [x_{ij}/X_{it}] \div [x_{wj}/X_{wt}]$$

where x_{ij} and x_{wt} are the value of i's exports and world exports to j, X_{it} is i's total exports and X_{wt} are total world exports. An index of more (less) than unity indicates a bilateral trade flow that is larger (smaller) than would be expected given the partner country's importance in world trade.

[10]Import statistics are normally reported on a cost-insurance-freight (c.i.f.) basis while exports are typically reported in terms of free-on-board (f.o.b.) values. As such, partner country import statistics would tend to overestimate the value of (missing) export statistics. The IMF often employs an adjustment factor of 10 percent to express import data to the same basis as export statistics.

Table 9. "Trade Intensity" Indices for Selected Middle Eastern Countries' 1990 Exports.

	Partner Country				
Exporter	All OECD Countries	European Union	North America	Japan	Middle East Region
Cyprus	0.90	1.44	0.10	0.07	4.52
Egypt	0.71	0.92	0.49	0.51	4.19
Israel	1.07	0.85	1.66	1.38	0.31
Jordan	0.12	0.08	0.03	0.40	6.00
Libya	1.21	2.04	--	--	1.32
Oman	0.25	0.25	0.21	0.40	17.27
Saudi Arabia	0.36	--	1.40	--	--
Syria	0.63	1.00	0.05	0.01	5.84
Turkey	0.93	1.29	0.44	0.35	4.07

Source: Computed from trade data extracted from United Nations Series D trade tapes.

Iran-Lebanon, Lebanon UAE, etc.) the approach cannot be employed.

Table 10 employs the available information to construct a 1990 matrix of the origins and destinations of regional intra-trade. As indicated Turkey plays a key role in this exchange accounting for 22 percent of all exports to the region and also serves as the destination of 26 percent of all other regional countries' exports. These figures understate Turkey's importance somewhat since, for political reasons, Cyprus is not reporting exports to Turkey in its official statistics. Saudi Arabia and the UAE combined account for about one-third of intra-regional exports and about 28 percent of all imports. Saudi Arabian exports to Turkey (mostly crude oil) constitute that single largest bilateral trade flow (about three quarters of a billion dollars) followed by UAE exports to Oman and Libya's exports to Turkey which (combined) are over one billion dollars.

What factors limit further trading opportunities among ME countries. Trade barriers are clearly important as an UNCTAD (1987) study showed that average tariffs in Syria, Turkey and Libya ranged between 27 to 34 percent and actually reached 100 percent in Iran. In addition, many of the middle-Eastern countries trade regimes were NTB ridden. Over 70 percent (by value) of Turkey's imports encountered some form of nontariff measure while this ratio was 99 percent in the case of Iran. In addition, there is also evidence that transport links within the region can be an important constraint to increased trade as most established liner conference routes follow a North-South pattern. One further possibility is that the export product profiles of some ME countries are so similar, particularly those of the oil exporters, that there are limited opportunities for intra-trade.

The "revealed" comparative advantage (RCA) index can provide some rough indication as to where opportunities for expanded intra-trade may exist. Countries with different revealed comparative advantage profiles should have more opportunities to trade than those whose RCA indices are similar. The revealed comparative advantage (RCA) of country i for product j is measured by the item's share in the country's exports relative to its share in world trade.[11] The index (RCA_{ij}) has a simple interpretation. If it takes a value of less than unity (which indicates that the share of product j in i's exports is less than the corresponding world trade share) this implies that the country has a revealed comparative disadvantage in the product. Similarly, if the index exceeds unity the country has a revealed comparative advantage in the item. Table 11 presents RCA indices for Egypt and other regional countries exports of products classified in 9 broad product groups. In order to determine how RCA patterns were changing separate indices were calculated for 1970, 1980 and 1992. On request, the author will send more detailed three and four digit product indices for all regional countries to interested readers.

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[11]That is, if x_{ij} is the value of country i's exports of j, and X_{tj} is the country's total exports its revealed comparative advantage index is:

$$RCA_{ij} = (x_{ij}/X_{tj}) \div (X_{iw}/X_{tw})$$

where the w subscripts refer to world totals.

Table 10. The Origin and Destination of Middle Eastern Countries' 1990 Intra-Regional Trade (Values in $000).

	Destination of Exports														
Exporter	Bahrain	Cyprus	Egypt	Iran	Israel	Jordan	Kuwait	Lebanon	Libya	Oman	Qatar	Saudi Arabia	Syria	Turkey	UAE
Bahrain	--	254	138	108	0	11,088	9,792	12	0	5,995	6,530	107,036	2	4,932	65,857
Cyprus	2,645	--	19,113	188	4,011	4,447	4,865	13,050	6,861	2,598	2,764	22,315	1,158	9,186	10,715
Egypt	1,520	11,160	--	4,139	167,652	15,728	11,396	9,228	43,550	14,521	4,192	76,579	11,682	16,069	0
Iran	7,316	2,571	0	--	0	2,508	10,937	na	2,778	55	14,235	178	32,579	492,399	169,073
Israel	0	33,286	6,366	0	--	0	0	0	0	0	0	0	0	88,438	0
Jordan	8,529	769	15,992	1,359	0	--	16,646	13,303	6,286	1,224	6,375	70,482	12,670	22,755	32,300
Kuwait	8,220	129	5459	3,133	0	10,984	--	2,574	--	4,082	1,520	74,142	426	1,145	28,062
Lebanon	11,311	9,725	14,563	na	0	16,619	17558	--	19,962	354	10,903	85,332	16,802	6,284	53,605
Libya	0	1,442	78,645	13,823	0	791	27	11,241	--	0	20	370	9,827	506,589	13,310
Oman	4,177	178	583	17,423	0	199	944	525	122	--	4,331	33,578	13	21	213,574
Qatar	6,664	0	49	40,414	0	5,454	19,258	259	0	12,972	--	61,842	99	445	122,308
Saudi Arabia	67,550	12,360	76,340	na	0	119,901	160,838	88,155	4,649	58,153	10,903	--	32,829	723,628	414,777
Syria	6,247	6,515	47,671	13,582	0	24,487	12,377	266,135	15,998	574	29,706	270,463	--	113,588	58,984
Turkey	3,532	154,841	160,104	495,483	45,504	80,870	92,208	50,666	220,541	4,545	6,115	338,427	194,494	--	75,426
UAE	50,561	793	0	na	0	4,531	43,549	na	5,117	580,291	73,522	161,266	4,261	192,511	--
MEMO ITEM															
Regional Trade															
Exports															
Value ($mill.)	211.7	103.9	387.4	734.6	128.1	208.7	139.8	263.0	636.1	275.7	269.8	1,770.1	866.3	1,922.8	1,116.4
Percent (%)	2.3	1.2	4.3	8.1	1.4	2.3	1.5	2.9	7.0	3.1	3.0	19.6	9.6	21.3	12.4
Imports															
Value ($mill.)	178.3	234.0	424.0	589.7	217.2	297.5	400.4	455.1	325.9	685.4	171.1	1,302.0	316.8	2,178.0	1,258.0
Percent (%)	2.0	2.6	4.7	6.5	2.4	3.3	4.4	5.0	3.6	7.6	1.9	14.4	3.5	24.1	13.9

Source: Computed from trade data extracted from United Nations Series D trade tapes.

Country Notes: Qatar - Regional exports as reported by Qatar for 1991 since no data are available for 1990.
Bahrain - Regional exports reported for 1988 which is the last year available.
Saudi Arabia, Lebanon, UAE and Iran - Reported 1990 imports by Cyprus, Egypt, Israel, Jordan, Libya, Oman, Saudi Arabia, Syria and Turkey, plus 1988 imports by Bahrain and 1991 imports of Qatar.
Exports of Cyprus to Turkey are based on Turkey's reported imports from Cyprus.

Table 11. Middle Eastern Countries Revealed Comparative Advantage in Broad Product Groups: 1970, 1980, 1992.

		RCA Indices for Processed Products Classified by Major SITC Groups								
Exporter	Year	Foods & Feeds	Beverages & Tobacco	Crude Materials	Refined Fuels	Animal & Vegetable Oil	Chemicals	Manufactures by Material	Machinery & Transport	Misc. Manufactures
Bahrain	1970	0.00	0.01	0.00	27.93	0.03	0.17	0.05	0.03	0.03
	1980	0.02	0.00	0.00	11.72	0.00	0.01	0.29	0.08	0.25
	1992	0.01	0.02	0.08	18.43	0.07	0.54	1.21	0.17	0.53
Cyprus	1970	6.80	18.12	0.04	0.01	2.53	0.11	1.49	0.23	0.82
	1980	3.20	3.22	0.06	0.42	0.41	0.20	0.51	1.19	2.17
	1992	2.41	7.22	0.26	1.70	1.25	0.68	0.65	0.30	2.68
Egypt	1970	5.23	0.38	0.21	0.13	0.55	0.72	2.22	0.13	1.07
	1980	2.20	0.38	0.31	4.57	0.11	0.25	1.69	0.25	0.50
	1992	1.07	0.10	0.00	9.06	0.00	0.62	1.75	0.34	0.87
Iran	1970	2.26	0.01	0.00	16.19	0.00	0.12	1.22	0.04	0.09
	1980	1.42	0.02	0.00	9.22	0.00	0.17	1.04	0.02	0.06
	1992	6.62	0.02	0.08	11.04	0.00	0.11	2.58	0.09	0.15
Israel	1970	5.61	0.29	0.38	1.05	0.08	1.09	1.74	0.19	1.14
	1980	4.17	0.19	0.21	0.51	0.01	1.26	1.95	0.30	1.05
	1992	2.62	0.11	0.25	0.44	0.01	1.32	2.10	0.49	0.88
Jordan	1970	1.42	5.85	0.05	19.39	0.01	0.76	0.11	0.26	0.22
	1980	2.66	2.80	0.27	0.07	0.12	1.85	1.37	0.59	1.00
	1987	0.15	0.39	0.00	0.00	0.00	4.95	0.85	0.37	0.47
Lebanon	1970	2.99	0.04	0.15	0.76	0.29	0.08	1.13	0.35	2.96
	1980	2.15	0.19	0.03	0.02	0.53	1.11	1.46	0.43	2.23
	1992	2.90	3.73	0.02	0.08	0.03	0.32	1.38	0.30	2.54

Table 11. Continued.

Exporter	Year	RCA Indices for Processed Products Classified by Major SITC Groups								
		Foods & Feeds	Beverages & Tobacco	Crude Materials	Refined Fuels	Animal & Vegetable Oil	Chemicals	Manufactures by Material	Machinery & Transport	Misc. Manufactures
Libya	1970	0.61	0.18	0.00	7.94	0.00	0.09	0.38	1.35	0.62
	1980	0.13	0.00	0.00	11.76	0.00	0.85	0.01	0.07	0.02
	1992	0.01	0.00	0.01	26.94	0.00	1.34	0.25	0.06	0.01
Oman	1970	0.22	0.01	0.00	0.00	0.09	0.04	3.18	0.06	0.03
	1980	0.34	0.06	0.00	2.71	0.00	0.02	0.08	1.84	0.58
	1992	0.25	0.00	0.00	13.59	0.00	0.18	0.37	0.64	1.29
Qatar	1970	0.41	0.00	0.00	0.20	0.44	4.81	0.31	0.74	0.76
	1980	0.03	0.00	0.00	1.03	0.00	2.58	2.09	0.18	0.10
	1992	0.01	0.00	0.05	15.89	0.20	3.02	0.25	0.07	0.63
Saudi Arabia	1970	0.32	0.00	0.00	25.14	0.00	0.48	0.01	0.20	0.07
	1980	0.27	0.01	0.01	10.11	0.00	0.18	0.07	0.51	0.14
	1992	0.15	0.00	0.16	19.59	0.01	2.26	0.23	0.23	0.17
Syria	1970	9.81	0.02	0.06	0.64	0.01	0.18	1.41	0.11	2.71
	1980	2.01	0.00	0.10	10.00	0.00	0.04	0.31	0.16	0.69
	1992	2.32	0.01	0.03	22.10	0.00	0.06	0.45	0.06	1.17
Turkey	1970	19.47	0.87	0.26	0.40	1.18	0.86	1.36	0.14	0.57
	1980	17.51	0.52	0.34	0.24	0.24	0.30	2.01	0.11	1.06
	1992	5.10	0.10	0.38	0.70	0.24	0.31	1.44	0.24	2.57
UAE	1970	0.23	0.02	0.04	0.02	0.82	0.17	2.76	0.29	0.21
	1980	0.85	0.06	0.00	2.65	0.12	0.30	2.08	0.37	0.61
	1992	0.57	3.28	0.38	10.27	0.06	0.57	1.01	0.39	1.20

According to Table 11, Egypt has a strong comparative advantage in the production and export of refined petroleum products (RCA = 9.06 -- that is, the share of these goods in Egypt's exports is nine times their share in world trade) and in manufactured goods classified in SITC 6 ("Manufactures Classified by Material). The latter are generally composed of relatively labor intensive products that employ materials like leather, fibers, wood, or paper as production inputs. Egypt also registers a RCA slightly above unity in processed foods. However, the sharp decline in the index over 1970-1990 suggests that comparative advantage in this area is being lost. As expected, Egypt's RCA index is low for the highly capital intensive machinery and transport group (SITC 7) and is actually zero for processed crude materials (in SITC 2) and animal and vegetable oils (SITC 4). The latter is somewhat surprising since in 1992 Egypt exported some $5.4 million in raw flax, $2 million in oilseeds, and $600 thousand in bovine hides -- all items that could have been further processed. Trade barrier escalation in OECD markets is often cited as an important factor constraining the domestic processing of these types of primary commodities in Egypt and other developing countries.[12]

Of the 14 regional countries, 10 show a strong revealed comparative advantage for the refined petroleum products group (those not having a comparative advantage in this sector are Israel, Jordan, Lebanon and Turkey). Several countries have an RCA index over 15 for energy products (Bahrain, Libya, Qatar, Saudi Arabia and Syria) while the index is over 9 for all other countries except Cyprus. An important point to note is that most of these petroleum product exporting countries have a very limited comparative advantage outside this one sector. For example, Libya, Qatar and Saudi Arabia only have RCAs above unity in refined fuels and chemicals (many of the latter utilize crude petroleum inputs). The potential for increased intra-trade appears to be limited by the narrow range of products these countries can produce under internationally competitive conditions..

Opportunities for increased intra-regional trade appear greatest between the "energy exporters" and countries like Turkey, Israel and Lebanon that have relatively high RCAs for various types of manufactured goods and processed foodstuffs (note that Syria and Iran also have strong RCAs for foods). On request the author will provide detailed RCA indices for Egypt and other ME countries at the three and four-digit SITC level. These should help identify items which could assume an increased importance in future intra-regional export, or which could be further developed for increased exports to OECD markets.

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[12]Numerous studies show that OECD countries tariffs typically have a common structure (Balassa 1968, Helleiner and Welwood 1978, Yeats 1987). Zero, or very low tariffs, are normally applied to raw material imports and these duties increase or "escalate" as the commodity experiences further processing. For example, Egypt's exports of raw cotton to the EU face a tariff of ??? percent. Tariffs of ??? to ??? are applied to most cotton textile exports while some cotton clothing products may face a tariff as high as 35 percent.

IV. OECD Trade Barriers: Effects of the Uruguay Round

The Uruguay Round marks the eighth time since 1947 that GATT members negotiated a reduction of trade barriers in a multilateral framework and, potentially, it could have important implications for ME exports.[13] Unlike previous negotiations, the Uruguay Round (UR) focused on a far broader range of trade related issues (see Finger and Olechowski, 1987). Its accomplishments included: (i) tariff and nontariff measure (NTM) liberalization, including the previously excluded agricultural sectors and (largely excluded) textiles and clothing; (ii) extension of multilateral rules to trade in services, trade-related intellectual property rights, and trade related investment measures; (iii) reform of some GATT rules such as those on subsidies, countervailing duties, antidumping actions, and safeguards; (iv) institutional reforms relating to dispute settlement and the functioning of the GATT system.

Middle Eastern countries have tended to view the UR negotiations on tariffs and NTMs with a certain degree of apprehension. Israel, for example, has duty free access to the US, EU and EFTA markets as a result of previously negotiated FTAs. Similarly, Turkey and Lebanon have established FTAs that provide for duty free access for most goods exported to Europe. Countries like Egypt, Cyprus, Iran and Jordan receive important OECD trade preferences on some products under the Generalized System of Preferences (GSP) that allows them to be imported under zero duties or at tariffs below MFN rates. Since the Uruguay Round cut MFN tariffs it will reduce regional countries' preference margins and may cause some of their exports to be displaced. A key question is whether the overall ME gains from the Round will exceed, or fall short of, expected losses.

A. The Round's Impact on Tariffs

For an initial assessment, Table 12 shows the 1992 value of exports and average pre-Uruguay tariff rates facing regional exporters in the EU, Japan and United States both in total and for all non-oil exports. The tariffs shown in the table are "applied" duties in that they reflect the average of the MFN, GSP or FTA tariff actually paid by the exporter. Finally, the lower third of the table shows the share (i.e., coverage ratio) of each regional country's exports that encounter nontariff measures.[14]

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[13]The previous negotiations and their completion dates were: Geneva (1947), Annecy (1949), Torquay (1951), Geneva (1956), Geneva (1961), Kennedy (1967) and Tokyo Round (1979). Subject to confirmation by governments, the Uruguay Round Agreement will enter into force on July 1, 1995. Its market access offers will be phased in over periods as long as ten years. Certain additional issues, including the relationship between trade and the environment, labor standards, and competition policy, are under discussion and may be incorporated in a future work program for the World Trade Organization.

[14]The following types of nontariff measures are included in the NTM trade coverage ratio: variable import levies and other special charges, all quotas and quantitative restrictions on imports, anti-dumping and countervailing duties, "voluntary" export restraints, minimum import price regulations, prohibitions, surcharges, tariff quotas, and all MFA restrictions.

Table 12. Average Pre-Uruguay Round Tariffs and Nontariff Measures Facing Middle East Exports to the European Union, Japan and the United States.

	European Union		Japan		United States	
	All Products	All Non-Oil Goods	All Products	All Non-Oil Goods	All Products	All Non-Oil Goods
1992 Value of Exports ($million)	39,604.9	12,015.5	27,986.5	1,698.2	18,167.7	5,975.0
Bahrain	172.9	148.1	304.1	63.2	71.2	68.9
Cyprus	433.2	431.7	2.1	2.1	11.7	11.7
Egypt	2,893.4	923.9	91.0	33.9	465.6	223.2
Iran	6,649.1	537.9	2,604.5	82.6	0.8	0.8
Israel	3,731.3	3,671.8	694.6	694.6	3,902.3	3,880.6
Jordan	88.2	88.2	24.1	24.1	18.6	18.6
Lebanon	96.8	96.5	2.2	2.2	28.5	28.5
Libya	7,021.0	152.2	0.7	0.7	--	--
Oman	165.7	165.7	1,962.4	5.1	207.3	97.2
Qatar	55.8	24.2	2,175.5	9.6	75.9	71.5
Saudi Arabia	11,150.4	1,063.5	10,181.1	303.5	11,285.7	183.2
Syria	1,225.1	144.8	8.5	8.5	45.8	12.4
Turkey	4,208.4	4,018.1	202.2	202.2	1,183.4	1,155.4
UAE	1,713.7	549.0	9,733.3	265.9	871.0	222.9
Average Tariff (%)	0.4	1.2	3.0	0.5	1.1	2.7
Bahrain	0.8	0.8	0.7	0.0	6.9	4.5
Cyprus	3.9	4.0	9.9	9.9	7.9	7.9
Egypt	0.6	1.3	2.0	0.7	4.6	8.9
Iran	0.1	0.4	3.3	0.4	2.0	2.0
Israel	2.0	2.0	0.3	0.3	0.1	0.1
Jordan	0.2	0.2	1.1	1.1	3.7	3.7
Lebanon	3.0	3.0	1.9	1.9	2.1	2.1
Libya	0.0	0.0	0.6	0.6	--	--
Oman	0.9	2.4	3.6	0.6	1.5	7.5
Qatar	0.1	0.3	3.5	0.0	2.0	3.4
Saudi Arabia	0.0	0.2	3.1	0.0	0.6	2.8
Syria	0.0	0.1	0.2	0.0	0.5	4.0
Turkey	0.5	0.4	2.5	2.6	6.3	8.3
UAE	0.4	2.6	3.0	0.0	2.5	9.6

Table 12. Continued.

	European Union		Japan		United States	
	All Products	All Non-Oil Goods	All Products	All Non-Oil Goods	All Products	All Non-Oil Goods
NTB Coverage Ratio (%)	3.4	10.5	0.2	2.0	6.2	11.0
Bahrain	0.3	0.3	0.0	0.0	0.0	0.0
Cyprus	16.2	16.5	6.4	6.4	0.7	0.7
Egypt	13.2	31.1	0.0	0.0	17.6	36.2
Iran	0.2	1.2	0.0	0.0	0.0	0.0
Israel	5.9	6.0	1.0	1.0	0.4	0.6
Jordan	1.2	1.2	14.9	14.9	1.2	1.2
Lebanon	1.5	1.5	0.0	0.0	0.2	0.2
Libya	0.0	0.0	0.0	0.0	--	--
Oman	2.8	7.6	0.1	11.9	0.0	0.0
Qatar	0.2	1.0	1.4	76.5	0.0	0.0
Saudi Arabia	0.9	7.2	0.0	0.0	5.8	39.0
Syria	0.0	0.2	0.0	0.0	0.0	0.0
Turkey	13.5	14.2	6.7	7.3	24.4	32.4
UAE	0.1	0.6	0.0	0.0	10.4	47.2

Note: For the EU, Japan and the United States combined the average trade weighted tariff on all exports is 1.4 percent while the tariff on all non-oil goods is 2 percent. The average NTM trade coverage ratio for all goods is 2.9 percent while the ratio for all non-oil goods is 9.3 percent.

Source: World Bank-UNCTAD SMART Database.

The general impression one gets from Table 12 is that average pre-Uruguay tariffs facing middle-Eastern countries were generally low in Europe and Japan (with one or two exceptions) and higher in the United States. In the EU duties on all non-oil goods average about 1.2 percent although they reach 4 percent for non-oil exports from Cyprus. Factors accounting for the relatively low overall rates facing the middle-East include the extension of GSP treatment for many middle-Eastern products and the EU-Israel and EU-Turkey Free Trade Agreement.[15] Conversely, the relatively high tariffs that occur in the United States are a result of two factors: the exclusion of OPEC members from the US GSP scheme, and the fact that GSP preferences are not extended to textiles, clothing and footwear. Box 5 gives more detailed information on the tariffs facing Egypt's exports.

For the most part the regional NTM trade coverage ratios show in Table 12 are also low with one or two exceptions. More than 30 percent of Egypt's non-oil exports to the EU and USA encounter NTMs, but the product sectors affected differ in the two markets. In the EU, Egypt faces major import restrictions on foodstuffs while most of the US barriers are in the textile and clothing sector.

How did the Uruguay affect tariff barriers facing ME exports? The Round's accomplishments can be summarized as follows;

(i). Manufactured goods. A 40 percent cut in industrial countries' tariffs on manufactures with an increase in bindings (legal maximum rates) from 94 to 98 percent of all imports. GATT data indicate tariffs will be lowered by approximately 2.4 percentage points to 4.0 percent. Lower than average cuts occur in sectors of major importance to developing countries such as textiles, clothing, footwear and transport equipment. Reductions will take place in five equal annual stages beginning with the entry into force of the World Trade Organization.

(ii). Industrial tropical products. These are goods like Jute, Hemp, Sisal, tropical wood and Rubber. A 57 percent reduction in tariffs will result. Tariffs should decline from 4.2 to 1.9 percent.

(iii). Natural Resource Based Products. Goods falling in this category include items like Preliminary information suggests a 38 percent cut for these items. Larger than average reductions will occur for some mineral and metal products with lower than average reductions for fish. Tariffs on natural resource based manufactures should decline from 3.2 to 2.0 percent -- a 40 percent reduction.

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[15]One potential problem relating to the statistics in Table 12 is that ceilings are applied to some products receiving GSP treatment. Once these ceilings are exceeded additional imports are taxed at the MFN rate. Due to the lack of required information Table 12 assumes that all trade occurred within the pre-established GSP limits. If this is not the case Table 12 could understate the importance of applied tariffs.

Box 5
Average Applied Tariffs on Products Egypt Exports to OECD Markets

Do tariffs on Egyptian exports to the OECD discriminate in any important way against particular industries or sectors. Table 12 suggested that the overall level of import duties was low in the EU and Japan (in the one to two percent rage) while United States duties were higher since this country does not extend GSP treatment to textiles, clothing and footwear. Are there specific sectors where Egyptian exports encounter significantly higher import tariffs. The statistics provided below show average "applied" (in the sense that they are the average of the GSP or MFN duty actually levied) tariffs on Egypt's exports of broad product groups.

		Average Applied Tariff (%)		
Product Group (SITC No.)	1992 OECD Imports from Egypt ($million)	EU	Japan	USA
All Items (0 to 9)	3,898.3	0.6	2.0	4.6
All Foods and Feeds (0+1+22+4)	158.0	12.0	21.2	0.6
Food and Live Animals (0)	153.3	12.2	7.6	0.6
Beverages and Tobacco (1)	0.7	5.6	90.0	1.9
Animal and Vegetable Oils (4)	0.1	0.4	--	--
Agricultural Materials (2-22-27-28)	73.3	0.0	0.0	0.0
Ores & Nonferrous Metals (27+28+68)	180.8	0.0	0.0	0.0
Mineral Fuels (3)	2,429.1	0.0	3.2	0.5
Manufactures (5 to 8-68)	1,020.1	0.0	3.0	8.8
Chemicals (5)	81.3	0.0	0.0	0.0
Textiles (65)	304.3	0.0	4.9	8.3
Transport & Machinery (7)	252.1	0.0	0.0	0.0
Clothing (84)	241.9	0.0	11.0	17.4
Miscellaneous Manufactures (89)	25.1	0.0	0.0	0.0

Source: World Bank-UNCTAD SMART Data Base

The tariff averages show different patterns of protection exist in Japan and the EU as opposed to the United States. Exclusion of textiles and clothing from the United States GSP, scheme accounts for the relatively high tariffs (8.8 and 17.4 percent) on these goods, but outside these two sectors import duties average under two percent. In contrast, in the EU and Japan the highest duties are applied to agricultural products (clothing in Japan is an exception) with tariffs of 90 percent facing Egypt's beverage and tobacco exports to Japan (mostly cured tobacco leaf).

At the line item level "peaks" are evident in the tariffs applied to Egyptian exports. The highest tariffs in the EU are 35 percent duties on various pastry products exported from Egypt while several jam and fruit preserve products face tariffs between 27 to 30 percent. In the United States the highest duties Egypt faces range between 33 to 35 percent on clothing products like sweaters and cotton under shirts.

Table 13. The Estimated Effects of the Uruguay Round on MFN Tariff Barriers

	Tariff Rate		Tariff Change	
Product Group	Pre-Uruguay	Post-Uruguay	Absolute Reduction	Percentage Reduction
ALL INDUSTRIAL PRODUCTS[1]	6.4	4.0	-2.4	38
Industrial Tropical Products	4.2	1.9	-2.3	55
Natural Resource Products	3.2	2.0	-1.2	38
Manufactures of:[2]				
Leather	6.7	5.4	-1.3	19
Rubber	5.3	3.4	-1.9	36
Wood	5.0	2.1	-2.9	58
Paper	4.8	1.6	-3.2	67
Textiles & Clothing	15.2	11.4	-3.8	25
Metals	5.4	2.6	-2.8	52
Chemicals	6.7	3.0	-3.7	55
Minerals	4.7	2.9	-1.8	38
Food & Agricultural Products[3]				
Cocoa Products	4.5	2.5	-2.0	44
Tobacco	17.3	11.2	-6.1	35
Coffee, Tea and Sugar	9.4	6.4	-3.0	32
Fruits and Vegetables	8.6	5.6	-3.0	35
Oilseeds, Fats and Oils	1.7	1.1	-0.6	35
Grains	6.6	4.5	-2.1	32
Dairy Products	15.8	11.9	-3.9	25
Spices, Flowers and Plants	2.2	1.1	-1.1	50
ALL NON-ENERGY ITEMS[4]	6.5	3.9	-2.6	40

[1]Defined by GATT to include eleven industrial categories (fish and products; wood, pulp, paper and furniture; textiles and clothing; leather, rubber, footwear, travel goods; metals; chemicals and photographic supplies; transport equipment; non-electric machinery; electric machinery; mineral products and precious metals; manufactured articles n.e.s.), nonagricultural tropical products (plaiting products, rubber and tropical wood, jute and hard fibers), and natural resource based products. The latter include: fish and fish products; forestry and forestry products; and non-ferrous metals and minerals. Tariff information from GATT (1993) Table 14.

[2]Based on GATT (1993) Table 15 and Appendix Table 5. The tariffs shown above are averages for the semi-manufactures and manufactures components of the GATT processing chains. Agricultural products are defined by GATT to include ten agricultural categories (fruit and vegetables; coffee, tea, cocoa, sugar, etc.; grains; animals and products; oilseeds, fats and oils; cut flowers, plants, vegetable materials; beverages and spirits; dairy products; tobacco; other agricultural products) plus agricultural tropical products (tropical beverages; spices and plants; certain oilseeds and oils; tropical roots, rice and tobacco; tropical fruits and nuts).

[3]The reported percentage tariff reduction for these products is given in GATT (1993) Table 20. Pre-Uruguay Round tariffs were estimated using the World Bank-UNCTAD SMART Database. These statistics, plus the percentage reductions reported by GATT were used to derive the post-Uruguay Round rate.

[4]Computed using 1992 OECD country trade weights.

Table 13 provides more detailed estimates of the impact of the Uruguay Round on average OECD tariffs. From the perspective of most developing countries one of the most disappointing results were the far smaller than average reductions (19 and 25 percent, respectively) on leather manufactures, textiles and clothing. In addition, while the Round did make some progress in reducing tariff escalation this issue will continue to remain a (post-Uruguay) point of contention between developing and developed countries.

B. Empirical Evidence on the Round's Effects

In recognition of developing countries' need for technical assistance in the UR negotiations, UNCTAD and the World Bank initiated a joint project to help them evaluate various trade liberalization proposals. This project (named SMART -- Software for Market Analysis and Restrictions on Trade) developed a desk-top system that allows a country to analyze the level, structure and restrictive effect of trade barriers on its exports.[16] SMART includes, with its other elements, a simulation model that projects the change in a country's exports that should result from a change in foreign trade barriers (see Laird and Yeats, 1990). SMART projections are made at the tariff line level (US and EC tariff schedules identify over 8,000 tariff line products) and these estimates can be summed to more aggregate groups. SMART accounts for trade creation (the substitution of foreign goods for domestic production) and trade diversion (the substitution of one foreign supplier for another) which results from preference erosion (see Box 6 for information on how Egypt's preferences will be affected).

Before proceeding, it should be noted there are UR effects that SMART does not account for. These include a (potentially important) stimulus to merchandise trade from the UR liberalization in services, and the stimulus resulting from strengthened rules on how trade is conducted. There is also ample evidence that a lowering of trade barriers in developing countries will increase their ability to compete in foreign export markets (see Nash and Thomas, 1990). Such factors are omitted because of problems in their quantification and not because of the assumption that they are unimportant. In addition, there are major problems in projecting the impact of the Round's elimination of NTMs --particularly in the agricultural, textile and clothing sectors where information on relative production costs in individual LDCs would be needed. Finally, it should be noted that the SMART projections are "short-term" estimates of trade changes and do not allow for efficiency gains associated with larger export volumes or the addition of new production capacity.

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[16]SMART shows tariff line level information on trade barriers a country faces in about 40 major markets. The system also indicates: (i) unit values of competing exports, (ii) the level and type of tariffs (MFN, GSP, Lome Convention, CBI, EC Regional Preferences) that are applied, and (iii) information on nontariff measures facing the product. SMART provides procedures for aggregating tariff line statistics to broad aggregates like; foodstuffs, agricultural raw materials, or manufactures. See Laird and Yeats (1991), Erzan and Yeats (1992), Safadi and Yeats (1993), or World Bank (1992) for illustrative applications.

Box 6
The Impact of Preference Erosion on Major Egyptian Exports

In 1989 Egypt exported 1,209 different tariff line level products to the EU (EU customs schedules distinguish between some 8,700 individual tariff line items. A zero MFN duty was applied to 120 of these products and the remainder (1,089) had a nonzero tariff applied. However, because of the GSP Egypt received tariff preferences on 765 of these lines, i.e, on 70 percent of all lines with MFN tariffs and on 63 percent of all lines exported, which allowed it to pay no duties or charges below the prevailing rate.* As a result of this preferential access Egyptian exporters were given a competitive edge over those in countries which faced the MFN tariff.

	Egypt's Exports: Number of Tariff Line Level Products			
Import Market	Zero MFN Duty Lines	Lines With Nonzero MFN Duties	Lines Receiving GSP Treatment	Total Lines Exported
European Union	120	1,089	765	1,209
Japan	20	74	48	94
United States	79	306	137	385

Source: World Bank-UNCTAD SMART Database

The above tabulations show the extent to which Egyptian products receive preferential market access in the EU, Japan and United States. Egypt receives preferential access on 65 percent of (non-zero MFN) line items exported to Japan and on 45 percent of the shipments to the United States. The relatively low US figure is due to the exclusion of textiles and clothing from this country's GSP scheme.

The following statistics give another perspective on the GSP by showing the share (in terms of values) of total EU, Japan and US imports that are covered by these preferential tariffs. About 15 percent of EU imports from Egypt receive GSP treatment while the corresponding US and Japanese shares are about 4 percent. The exclusion of textiles and clothing from the GSP accounts for the low US share. Japan's largest imports from Egypt are raw cotton and crude petroleum -- products which are imported under zero MFN duties.

	Share of Egypt's Exports Under Different Tariff Regimes			
Import Market	Zero MFN Tariffs	Under Zero GSP Rates	Nonzero GSP Rates	Nonzero MFN Rates
European Union	58.3	14.4	0.2	27.1
Japan	40.8	3.7	0.1	55.4
United States	12.0	3.9	0.0	84.1

The Uruguay Round made substantial reductions in OECD countries MFN tariffs -- about 40 percent on average (see Table 13). These cuts will reduce the *margins of preference* that Egypt formerly received -- the margins would be completely eliminated if the MFN rate were cut to zero. As a result of this reduction (or elimination) of preferences some of Egypt's exports could be displaced by other countries that formerly faced MFN duties. How large this displacement will be depends on the ability of Egyptian exporters to offset these competitive losses. It should be noted, however, that Egypt would experience positive export gains on those items where it faced MFN tariffs that were cut in the Round. (See Box 7 for estimates of the size of these positive and negative effects).

*There is a complication in that ceilings or quotas may be applied to products receiving GSP treatment in OECD markets. Once these quotas are exceeded further imports are taxed at the prevailing MFN tariff rate.

Table 14. Estimated Effects of the Uruguay Round Tariff Cuts on Middle Eastern Countries Exports.

	1992 Exports to ($ million)			Projected UR Trade Effects (%)			Overall Export Change ($ million)
Exporting Country	EU	Japan	USA	EU	Japan	USA	
Bahrain	172.9	304.1	71.2	1.12	0.42	7.42	8.5
Cyprus	422.2	2.1	11.7	0.21	-1.74	4.54	1.4
Egypt	2,893.4	91.0	465.6	0.30	1.42	2.41	21.2
Iran	6,649.1	2,604.5	0.8	0.02	2.73	0.49	72.4
Israel	3,731.3	694.6	3,903.3	-0.14	-0.81	-0.16	-17.1
Jordan	85.2	24.1	18.6	-0.55	0.76	2.30	0.1
Lebanon	96.8	2.2	28.5	7.92	-0.11	-0.16	7.6
Libya	7,021.0	0.7	0.0	-0.13	-1.14	0.00	-9.1
Oman	165.7	1,962.4	207.3	0.88	3.04	0.93	63.0
Qatar	55.8	2,175.5	75.9	--	2.94	1.30	64.9
Saudi Arabia	11,150.4	10,181.1	11,285.7	-0.08	2.40	0.46	287.3
Syria	1,225.1	8.5	45.8	-0.20	0.12	0.33	-2.3
Turkey	4,208.4	202.2	1,183.4	-0.08	0.98	3.06	34.8
UAE	1,713.7	9,733.3	871.0	0.95	2.46	1.56	269.3
ALL MIDDLE EAST	39,594.0	27,986.3	18,168.8	0.02	2.42	0.64	802.2

Source: World Bank-UNCTAD SMART System.

Given these qualifications, Table 14 summarizes SMART projections of the UR effects on regional country exports to the EC, Japan and United States.[17] These estimates are expressed as percentage changes from a 1992 trade base and in overall dollar terms (see the right-most column of the table). These data suggest the UR liberalization of these major OECD markets' trade barriers could increase all regional countries' exports by $800 million -- an annual change of less than one percent. This is the estimated net effect of: (i) trade losses on products receiving preferences, and (ii) gains of products facing MFN duties that were lowered. However, due to the erosion of their preferences Israel, Syria and Libya are projected to experience overall losses from the Round.

Several specific points should be noted regarding these projections. First, they admittedly understate regional countries' trade gains since they do not account for a UR liberalization of barriers in countries like Australia, Canada, New Zealand and EFTA. If the same import response occurs in these markets as that projected for the EC, Japan and United States regional country gains could be approximately $100 million higher. Second, the projections do not fully incorporate the effects of the erosion of intra-OECD preferences (they do, however, account for reductions in EFTA's preferences in the EC). Some regional countries may achieve trade gains by displacing this exchange. Finally, the projections do not incorporate any estimates of the trade effects of the removal of MFA and other nontariff measures. For some regional countries the impact of the NTM removal may be negative. (see part C which follows).

C. Elements of the Negotiations on Nontariff Barriers

The UR made important progress in liberalizing nontariff measures -- especially in agriculture, textiles and clothing. Basically, what was achieved can be summarized as follows,

Agriculture. NTM restrictions are subject to "tariffication" with subsequent cuts by industrial countries of 36 percent over 6 years with a minimum reductions of 15 percent on all tariff lines. There are a few exceptions and, in these cases, 4 percent of domestic consumption in the 1986-88 period is a minimum access guarantee that must increase by 0.8 percent annually to 8 percent over the implementation period. Market access for agricultural products will involve the elimination of quantitative restrictions and other government interventions. Reductions of 36 percent were also negotiated in budgetary outlays on export subsidies and in quantities of subsidized exports.

Textiles and Clothing. The MFA will be phased out. Products accounting for not less than 16 percent of the total 1990 volume of imports covered by the MFA are to be integrated into GATT in 1994 upon entry into force of the World Trade Organization. After the third year of the phase-out period, at least an additional 17 percent of the total 1990 import volumes are to be integrated, followed by at least an additional 18 percent after the seventh

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[17]These projections are based on an across-the-board reduction of MFN tariffs of approximately 40 percent except in the case of agriculture, textiles and clothing. In agriculture, estimates of NTMs nominal equivalents were drawn from Laird and Yeats (1991) and these measures were reduced by 36 percent. The simulations for textiles and clothing are based on a 20 percent reduction of nominal equivalents published in World Bank (1992) and Laird and Yeats (1991) over the 10 year phase out period specified in the draft agreement.

Box 7
The Nature of Egypt's Uruguay Round Induced Export Changes

Table 14 suggested that the Uruguay Round tariff cuts should produce only minor gains for Egypt -- probably about $20 million in increased exports to the EU, Japan and United States combined. The possibility exists that this aggregate figure may conceal important differences in the effects on various product sectors. The statistics provided below examine this possibility by showing the projected gains and losses for major product groups exported to the EU and United States.

Product Group (SITC No.)	1992 Imports ($000)	Projected Trade Change	
		Value ($ 000)	Percent Change (%)
EUROPEAN UNION			
All Items (0 to 9)	2,893,427.0	8,680.3	0.30
All Foods and Feeds (0+1+22+4)	111,294.4	8,224.7	7.39
Agricultural Materials (2-22-27-28)	26,549.4	2.7	0.01
Ores & Nonferrous Metals (27+28+68)	126,555.1	-189.8	-0.15
Mineral Fuels (3)	1,969.5	-1.6	-0.08
Manufactures (5 to 8-68)	649,156.4	644.3	0.10
Textiles (65)	168,934.9	-270.3	-0.16
Clothing (84)	83,064.3	-91.4	-0.11
UNITED STATES			
All Items (0 to 9)	465,598.3	11,220.9	2.41
All Foods and Feeds (0+1+22+4)	6,230.3	16.2	0.26
Agricultural Materials (2-22-27-28)	6,210.0	-7.5	-0.12
Ores & Nonferrous Metals (27+28+68)	312.7	-1.2	-0.37
Mineral Fuels (3)	242.4	0.8	0.34
Manufactures (5 to 8-68)	191,698.0	11,212.6	5.84
Textiles (65)	42,493.1	871.1	2.05
Clothing (84)	122,678.5	4,858.1	3.96

Source: World Bank-UNCTAD SMART Database

In the European Union the Uruguay Round tariff cuts on food products should increase Egyptian exports by about $8 million which represents an increase of about 7 percent. Small net gains are also projected for the manufactures sector as a whole in spite of losses associated with the erosion of preferences on textiles and clothing.

In the United States Egypt's projected trade gains are concentrated in the manufactures sector with over 50 percent of the increase accounted for by increased textile and clothing exports. Outside manufactures very small positive or negative changes are projected. The decline for agricultural materials is almost entirely associated with the erosion of GSP preferences for several combed or carded wool products. Erosion of preferences for refined copper products accounts for the slight decline within the ores and nonferrous metals group.

year, and the remainder (49 percent) at the end of the ten-year period. Each phase-out must encompass products (chosen by the restricting country) from four groups -- tops and yarns, fabrics, made-up textiles, and clothing.

Other Sectors. Elimination of "voluntary" export restraints. According to the World Bank-SMART Database the US and EC each have VERs on over 400 tariff line products which cover such major sectors as metals, transport equipment, footwear and domestic utensils.

Table 12 documented the importance of industrial countries pre-Uruguay NTMs by showing the share of regional countries' exports that encounter these measures -- both in total and for all non-oil products.[18] Overall, about 10 percent of all regional countries' nonfuel exports encountered NTMs with Egypt and Cyprus' coverage ratios the highest (32 and 16 percent, respectively) due to the relatively large share of temperate zone agricultural products, textiles and clothing in their exports.[19] (Box 8 provides more detailed information on specific Egyptian exports that encounter NTBs). Within manufactures, the coverage of textiles and clothing is particularly high -- over 40 percent of ME clothing (SITC 84) exports face these measures, as do 38 percent of textile (SITC 65) products.

As a result of the UR NTM concessions, the profile of protection facing regional countries' exports has been altered substantially. Post-Uruguay Round NTM coverage ratios should fall from their current 10 percent level to between 1 to 2 percent.[20] The average decline for Egypt will be dramatic -- the ratio will fall from 32 to approximately 2 percent. Essentially, this is due to the fact that all NTBs formerly applied to Egyptian and other regional countries' agricultural products, textiles, clothing and ferrous metals have been removed. As a result Low and Yeats (1994) estimate the share of all developing countries exports facing NTMs

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[18]Coverage ratios show the percentage of trade in a product group that encounter NTMs. The measure has shortcomings (see Laird and Yeats, 1991). No trade, for example, may occur under restrictive NTMs -- this would cause the index to take zero or low values. The index is sensitive to the types of NTMs included in its computation. The coverage ratios in Table 6 were computed for the following measures: surcharges, variable levies, quantitative restrictions (including prohibitions, quotas, non-automatic licensing, "voluntary" export restrictions, and restraints under the MFA and similar textile arrangements and state monopolies), price control measures (including minimum, reference or basic import price systems, price surveillance and voluntary export price restraints, additional customs formalities and other entry control measures, and local content regulations.

[19]Laird and Yeats (1991) surveyed published estimates of ad valorem equivalents of OECD countries' nontariff measures. Their findings indicate EC protection for grains is between 100 to 150 percent depending on the level of world prices while nominal rates of 200 to 350 percent occur for dairy products. Even higher ad valorem equivalents occur in Japan -- between 200 to 350 percent for rice, beef and sugar. Japanese NTM protection for wheat and barley exceeds 400 percent.

[20]These estimates hold regional countries' exports constant. The value of pre-UR NTM covered trade in the textile, clothing and agricultural sectors is determined by multiplying the coverage ratio times total trade in the group, and then subtracting the result from total NTM covered trade. These new NTM covered trade values are divided by actual total pre-UR trade values to estimate the post-UR ratios. The resulting coverage ratios are upward biased since they do not account for the increase in ME countries' exports that will result from the liberalization.

Box 8
Nontariff Measures Facing Egypt's Major Exports

Compared to the situation facing developing countries in total, Egypt's exports do not appear to be more affected by OECD nontariff measures. As shown below, 17.6 percent of all shipments to the USA face NTMs while the coverage ratio is about 4 points lower in the EU. No NTMs have been reported on Egypt's exports to Japan. Separate tabulations (Low and Yeats, 1994) indicate that about 18 percent of all developing countries' exports to the OECD encounter nontariff measures.

	1992 Imports from Egypt ($million)			Egypt's NTM Coverage Ratios (%)		
Product Group*	EU	Japan	USA	EU	Japan	USA
All Items	2,893.4	91.0	465.6	13.2	0.0	17.6
All Foods and Feeds	114.6	0.4	6.2	19.6	0.0	0.0
Food and Live Animals	111.3	0.4	5.9	19.8	0.0	0.0
Beverages and Tobacco	0.2	--	0.3	47.4	0.0	0.0
Animal and Vegetable Oils	--	0.0	--	0.0	--	--
Agricultural Materials	26.5	21.9	6.2	0.0	0.0	0.3
Ores & Nonferrous Metals	126.6	2.0	0.3	0.0	0.0	0.0
Mineral Fuels	1,969.5	57.0	242.4	0.0	0.0	0.0
Manufactures	649.2	9.1	191.7	69.5	0.0	40.2
Chemicals	72.0	0.1	2.2	0.0	0.0	0.0
Textiles	168.9	2.5	42.5	98.6	0.0	87.0
Transport & Machinery	245.1	--	1.7	0.0	0.0	0.0
Clothing	83.1	0.1	122.7	95.5	0.0	34.3
Miscellaneous Manufactures	6.9	0.4	14.5	0.0	0.0	0.0

*See Box 6 for the SITC numbers of the product groups listed below.

Well above average coverage ratios occur for Egypt's textile and clothing exports to the EU and USA, and for foodstuffs exported to the European Union. European MFA restrictions are applied to almost all of Egypt's textile and clothing exports with quotas on cotton yarns primarily responsible for the 98 percent coverage ratio for SITC 65.

Foodstuffs exported to the EU also have relatively high NTM coverage ratios due to the application of two or three different types of measures. For example, Egypt's exports of cane molasses (its largest food export with over $9 million traded) face variable import levies while Globe Artichokes and fresh oranges encounter reference import prices. Tariff quotas are applied to most EU bovine meat imports while quotas are applied to coffee and coffee based food preparation.

fell from 18 percent before the Uruguay Round to about 3 percent after.[21]

D. Possible Effects of the Round's NTB Liberalization

The Uruguay Round's elimination of NTMs applied under the Multifiber Arrangement is clearly a positive development for developing countries as a whole, yet there may be negative implications for individual exporters. Under the MFA, and its predecessor the Short-Term-Textile Arrangement (STA), developing countries were allocated quotas for their textile and clothing exports to industrial countries. Because of these assigned quotas some developing countries may able continue exporting even though they may have lost the comparative advantage in this sector they previously possessed. When the MFA quotas are phased out textile and clothing trade will be subject to intense international competition and the displacement of many established suppliers could occur. Stated differently, some regional countries may be uncompetitive in this new international environment and could find their exports displaced by more efficient producers whose trade is now restrained by the MFA. As such, some ME countries may have to give a high priority to restructuring their industries, reducing costs, and improving quality to compete in a post-Uruguay Round world.

The tariffication and of agricultural NTBs (and reduction in associated levels of protection) could lead to increases in world prices of previously subsidized agricultural products, including cereals, meat, dairy products and sugar. Price increases should occur because of the increased international demand for agricultural products associated with a lowering of OECD trade barriers and the new Uruguay Round regulations regarding subsidies. These changes would benefit developing countries which are important exporters of these products. Some studies have concluded that prices of some previously subsidized products could rise by 4 to 10 percent in total when the full effects of the Round are felt.

A number of developing countries which are net importers of food have expressed concern about possible higher food prices. Provided that these higher prices are passed on to farmers there will be an offsetting increase in domestic production. Nevertheless, if world food prices do rise overall individual countries that remain net importers of food will incur higher costs. Probably the best way to counter such a development is through the adoption of efficiency and cost cutting reforms to help stimulate domestic agricultural production.

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[21]Given the Round's accomplishments regarding NTMs, what remains to be done if a further post-UR liberalization is attempted? Analysis of the Bank's NTM data shows that antidumping and countervailing duties (which may be far more widely used in a post-UR world), followed by QRs should be the most important remaining restrictions. These are mostly concentrated in chemicals (SITC 5) and miscellaneous manufactures (SITC 8). In short, the focus of post-Uruguay initiatives on NTMs would shift markedly in terms of the types of measures applied, the sectors affected, and the overall importance of these restrictions.

V. Summary and Conclusions

Overall, middle-Eastern countries' exports should increase by approximately $800 to $900 million as a result of the Uruguay Round tariff cuts. This represents an annual expansion of less than one percent. The projected overall gains are small due to the erosion of tariff preferences middle-Eastern countries receive in OECD markets which offset the positive effects of reduced MFN tariffs on non-preference receiving products. Also, the major middle-East export product (petroleum) generally faces zero or very low tariffs so this item's trade could not be affected by the Uruguay Round reductions. Egypt's projected gains (about $20 million -- which is under one half a percent of total exports) are largely concentrated in agricultural exports to the EU and manufactures in the United States. Due to the erosion of its FTA preferences in the EU and US Israel should experience net trade losses from the Round.

The Uruguay Round made major progress in removing nontariff measures facing middle-Eastern exporters -- especially in agriculture, textiles and clothing. As a result of what was achieved, the average OECD NTB coverage ratio for middle-East exports should fall from its current 10 percent level to between 1 to 2 percent. The decline in the coverage ratio for Egypt is dramatic. Prior to the Round, 32 percent of Egypt's exports to the OECD faced NTBs -- this share should fall to about 2 percent after the MFA and agricultural restrictions are removed.

Although the liberalization of NTBs clearly is a positive development from the viewpoint of all developing countries, some may experience negative effects. With the removal of the MFA, international trade in textiles and clothing will be subject to increasing international competition. Middle Eastern countries will need to adopt major cost cutting and efficiency increasing measures to remain viable exporters. Similarly, net food importing countries could be adversely affected by higher international food prices which are expected to result from the Uruguay Round agreement. While there is considerable uncertainty about how high an increase in prices should result there is a clear priority for net food importing countries to adopt reforms aimed at stimulating domestic production. A key element in these reforms is the adoption of incentives to increase domestic food production.

This report also examines the prospects for increased intra-regional trade. Two important constraints to this exchange are the similarities in revealed comparative advantage and export profiles of many middle-East countries, as well as the high levels of tariff and nontariff measure protection that exist in some markets. The most favorable prospects for increased intra-regional trade appear to be between countries like Cyprus, Israel, Lebanon and Turkey, which are net energy importers, and the rest of the region.

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